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# ***Daily Report***

## **China**

**FBIS-CHI-88-040**

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# Daily Report China

FBIS-CHI-88-040

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1 March 1988

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## General

### Roundup on Panamanian 'Crisis,' U.S. Response *HK291454 Beijing RENMIN RIBAO in Chinese* 28 Feb 88 p 6

["Roundup" by reporter Guo Weicheng (6753 0251 2052): "The Complexity of the Panamanian Crisis"]

[Text] On 26 February, the Panamanian National Assembly decided to remove President Delvalle from his post. This has triggered a political crisis which is attracting worldwide attention.

The direct cause of the crisis was that on the evening of 25 February, President Delvalle announced the dismissal of Panamanian "strongman" Noriega from his post of commander of the National Defense Forces. Supported by the Army and the National Assembly, Noriega responded by relieving President Delvalle of his office. It is difficult to predict the outcome of these political troubles, but the event can be traced back to the disturbances that have been taking place in Panama since last summer, which reflect, to a certain extent, the contradiction between the Army and the government and the conflict between the United States and Panama.

In June of last year, the former chief of staff of the Panamanian National Defense Forces accused Noriega of participating in drug smuggling, in malpractices in general elections, in assassinating political foes, and so on. This caused political unrest, which has had a tremendous impact on other areas—for example, the political unrest has directly affected Panama's economic situation. Last year the economic growth rate of the country was zero, its foreign debts reached \$3.9 billion, and Panama became one of the greatest debtor countries per capita in the world. In the meantime, the conflict between the United States and Panama has resulted in the United States stopping its economic and military aid to Panama.

Since early February of this year, the unrest in Panama has worsened. On 10 February, Jose Blandon, former Panamanian consul general in New York, told a U.S. Congress investigation subcommittee that Noriega had been "involved" in drug smuggling. On 24 February, the state court in Florida, after following judicial procedure, officially accused Noriega of being involved in drug smuggling and other criminal activities. This not only aggravated the tension between the United States and Panama, but also caused discontent in Panama. Therefore, since Noriega had "harmed" the government's image, Delvalle began to think about changing it. Actually, Delvalle had long been dissatisfied with the fact that the National Defense Forces were placed above the government. In early January of this year, Delvalle revealed that a national defense ministry would be set up in the cabinet to replace General Headquarters in the National Defense Forces. In the meantime, the United States allegedly demanded the "graceful resignation" of

Noriega. Last week Delvalle met with U.S. Assistant Secretary of State Abrams in Miami. Delvalle was reportedly "supported" and "understood" by the United States.

Delvalle stressed that his dismissal of Noriega was "in the interests of Noriega himself and Panama. Otherwise, it would be impossible for Panama to extricate itself from the long-standing political crisis." According to observers here, Delvalle's two aims in dismissing Noriega were: 1) To respond to the accusation of the United States and the opposition faction at home in order to calm the political unrest; 2) to improve the image of the government and relations with the United States in the interest of getting economic aid from foreign countries and easing the economic crisis at home. However, what happened next was not what Delvalle had expected. This has seemingly shown that within the Panamanian Government, the anti-American hardliners still play a leading role. Judging from the present situation, there is scarcely any possibility of the United States taking military action against Panama for fear of "harming the safety" of the Panama Canal. Maintaining the stability of Panama has been one of the objectives of U.S. policy toward Central America. The United States will avoid acting rashly. However, if the hardliners are in power, this could become a hidden problem for the United States. Therefore, the possibility of the United States taking sanctions against Panama cannot be ruled out. With regard to U.S.-Panamanian relations, it seems that Noriega will not go too far, because they are too closely tied to the economy and security of Panama.

### News Analysis on NATO Summit, Bonn's 'Fear' *OW291001 Beijing XINHUA in English 0842 GMT* 29 Feb 88

["News Analysis: NATO Summit Unlikely To Ease Bonn's Anxiety (by Dai Lubing)"—XINHUA headline]

[Text] Bonn, February 28 (XINHUA)—Although the NATO summit on March 2-3 aims to demonstrate "unity" and "identity" among its member states, differences on security and disarmament between Federal Germany and most of its allies will still remain.

The Brussels meeting of the heads of state or government of the 16 NATO countries, the first since the 1982 Bonn summit, is believed to issue a declaration reaffirming the bloc's general policies on security and disarmament as well as its support for the U.S. efforts to reach a strategic arms agreement with the Soviet Union.

However, Bonn has its own expectations as it looks forward to support from the allies for its stand on security and disarmament. Foreign Minister Hans-Dietrich Genscher has expressed the hope that the summit will issue a special statement on conventional arms reduction.



Many West European countries are worried about their security following the signing of the intermediate-range missile treaty which, they believe, makes the region more vulnerable to the East's superiority in conventional arms and short-range missiles. Federal Germany has such a particular fear of being "singled out" to face the Soviet nuclear threat since it is the only NATO country within the firing range of short-range missiles.

Therefore, Federal Germany urged NATO to work out an overall disarmament strategy to reduce the Warsaw Pact's superiority in conventional arms, short-range missiles and chemical weapons. The initiative proposes simultaneous "flexible negotiations" between the East and the West on all kinds of disarmament, with emphasis on the conventional weaponry.

The Federal German Government, while opposing the so-called "third zero option" to eliminate short-range missiles, is also reluctant to accept a NATO plan to upgrade the weapons, specially the U.S. Lance missiles deployed on Federal German soil.

The government fears that the modernisation of short-range missiles will affect the ruling parties' chances in elections of two Federal German states and meet strong opposition in parliament. It is also haunted by the prospect that the modernisation will lead to a new round of arms race, with Federal Germany being the "first target of limited nuclear war".

Besides, Bonn's efforts to improve relations with the Soviet Union, including a planned summit between the two countries, might be affected.

Federal Germany not only insists on removing all U.S. chemical arms from its territory by 1992, but also rejects the latter's plan to replace them with new binary chemical weapons.

Most of Federal Germany's allies have so far been cold-hearted towards its efforts. British Prime Minister Margaret Thatcher even said it was "absurd" to link the negotiation on short-range missiles with that on conventional arms.

Analysts doubt that any statement on conventional arms reduction or on an overall disarmament strategy will come out of the NATO summit since many member states consider it immature for NATO to adopt a common position on the "complicated" conventional disarmament.

During his visit to Washington last week, Federal German Chancellor Helmut Kohl received unexpected support from the United States as President Ronald Reagan agreed to remove chemical weapons from Federal Germany and not to deploy new ones, put off the modernisation of short-range missiles until 1995 and discuss the proposed disarmament strategy at the coming NATO summit.

But analysts note that Reagan is more interested in achieving a successful summit with the Soviet leader in Moscow with a treaty to slash 50 percent of strategic missiles, which will enable him to make history with the fame of a "peace president". He is unlikely to devote much of his endeavor to conventional arms negotiations and other major issues concerning the Western security in the remaining months of his tenure of office.

Thus, in a certain period to come, Federal Germany will be left in a dilemma concerning West European security and disarmament.

### Northeast Asia

**RENMIN RIBAO on 'Stern Situation' in S. Korea**  
*HK010116 Beijing RENMIN RIBAO in Chinese*  
28 Feb 88 p 6

[Article by Xu Yaozhong (1776 5069 0022): "New Trend of Enterprise Contracting"]

[Text] On 25 February, No Tae-u was sworn into office as the 13th president of South Korea in place of Chon Tu-hwan. Public opinion generally holds that No Tae-u will face a stern situation with enormous difficulties at home.

No Tae-u announced the namelist of his new cabinet. Eight members of the old cabinet, including such key officials as ministers of foreign affairs, home affairs, and justice, remain in the new cabinet. In addition, six members of the new cabinet came from the military, including hard-liner O Cha-pok, former commander of the armed forces, who was appointed to be minister of national defense. No wonder the opposition sharply pointed out that the cabinet was not "organized" but just "reshuffled." Even a KYODO report also regarded it as a mere "transition cabinet." People still remember that No Tae-u promised during the campaign that he would organize a "joint cabinet" with the opposition, but it is now obvious that he broke his promise and organized a cabinet with its members all being from the Democratic Justice Party. The opposition will certainly attack No Tae-u on this issue.

According to the new constitution, a new law on electing members of the National Assembly will be formulated and the National Assembly elections will be held in spring. Although No Tae-u, president of the ruling Democratic Justice Party, won the presidential election, he only gained 36.6 percent of the votes. This means that the Democratic Justice Party must win more than half of the seats in the National Assembly if No Tae-u is to be freed from the difficult position as a "president of the minority." So No Tae-u's policies will determine, to a large extent, who will win in the National Assembly elections. At present, no agreement has been reached on the division of electoral districts and the proportion of the seats. No Tae-u claimed that "no matter in what

pattern," "we will certainly win the National Assembly elections." But people also noticed that Kim Yong-sam and Kim Tae-chung have reached an agreement to join hands and they are determined to defeat the Democratic Justice Party in the National Assembly elections. For No Tae-u, this forms the threats that cannot be neglected.

In order to control the situation, No Tae-u will, like his predecessor, rely on the United States and the military forces in South Korea. This will arouse the anti-American sentiments among the Korean people, and intensify their anti-government struggle. Recently, the opposition forces and young students have been carrying out emotional demonstration struggles directed at the trade frictions between South Korea and the United States. Some college students and citizens also required No Tae-u to bear responsibility for the "Kwangju Incident," and accused him of rigging the election. There are signs that the workers' struggle for subsistence and democracy has been surging ahead again. It seems that No Tae-u must face many difficulties now.

**Commentary on Problems Facing No**  
*SK010528 Beijing International Service*  
*in Korean 1100 GMT 27 Feb 88*

[Unattributed commentary: "South Korea's No Tae-u Regime Faces Various Difficult Problems"]

[Text] No Tae-u, who became the 13th president of South Korea on 25 February, faces a series of difficult political and economic problems.

The first difficult problem No Tae-u has faced after mounting the presidential post is overcoming the aftermath of the elections in South Korea.

Some youths and students, commanded by opposition parties—the Reunification Democratic Party, the Party for Peace and Democracy, and other similar opposition parties—still charge that there was fraud in this presidential election.

Students of some universities in Seoul, Kwangju, and other areas and other citizens recently held rallies and demonstrations and demanded that No Tae-u take responsibility for the Kwangju incident, in which people were bloodily suppressed. They charged that he had earned many votes through election fraud.

The demonstrators appealed to the people to oppose No Tae-u's becoming president.

As is shown by all the facts, the question of legitimacy of President No Tae-u will continue to create disturbances for the new regime.

In addition, under circumstances in which offstage forces strongly demand democratic development and the youths and students struggle against the new regime, it is

also difficult to realize complete democratization and the people's reconciliation, which No Tae-u has trumpeted as his favorite phrase.

The second difficult problem faced by No Tae-u is holding new National Assembly elections.

During the second half of last year, the South Korean ruling and opposition parties decided in discussions to hold new National Assembly elections 2 or more months after the presidential election.

Since the National Assembly role has been enhanced, the ruling and many opposition parties are actively striving to win in the general elections.

The extraordinary National Assembly session, which has already debated a bill to revise the National Assembly election law and a series of other matters twice, failed to reach agreement due to sharp clashes of opinion between ruling and opposition parties.

Accordingly, the ruling and opposition parties will be engaged in a bitter new struggle over this issue after No Tae-u has become president.

The third difficult problem for No Tae-u is the economic pressure the United States and other Western countries are applying to South Korea.

Entering this year, inflation has grown, reality speculation has expanded, and the revaluation of the South Korean currency has continued in South Korea.

In addition, the United States even more strongly demands that the South Korean authorities open their markets, reduce tariffs, and further revalue the South Korean currency against the dollar.

Under these circumstances, the South Korean economy will face even stronger pressure.

No Tae-u once said that he would form a coalition government by accommodating opposition parties after becoming president.

Nonetheless, there was no opposition personage on the namelist of the new cabinet he proclaimed, and 7 former cabinet members were retained.

Concerning this, many opposition parties say that the No Tae-u's formation of the cabinet is not reflective of the people's opinion. They have noted that it would be more appropriate to call it a cabinet reshuffle than formation of new cabinet.

If No Tae-u follows the Chon Tu-hwan style, he will face even more difficulties.

**DPRK-S. Korea Joint Conference Delay Noted**  
*HK270646 Beijing RENMIN RIBAO in Chinese*  
22 Feb 88 p 6

[Report by Xu Baokang (1776 1405 1660): "NODONG SINMUN Commentary Says the South Is Responsible for Delaying the North-South Joint Conference"]

[Text] Pyongyang 20 Feb—Today's Korean NODONG SINMUN carries a commentary on the delaying of the North-South joint conference, saying that the South Korean authorities are responsible for the delay, because they do not wish for national reconciliation and solidarity, and oppose dialogue and reunification.

Early this year, North Korea proposed to the South the convening of a North-South joint conference, and the holding of a preparatory meeting at Panmunjom on 19 February. However, the South Korean side has failed to give an active response, and the preparatory meeting did not take place as proposed.

In its conclusion, the NODONG SINMUN commentary points out that the North will smash the obstructions of both internal and external splittists, and exert all efforts to realize the North-South joint conference at the earliest possible date.

**Japanese Foreign Minister on 1978 Peace Pact**  
*OW010337 Beijing XINHUA in English 1547 GMT*  
29 Feb 88

[Text] Tokyo, February 29 (XINHUA)—Japan and China should maintain the 1978 bilateral peace treaty eternally as the treaty itself calls for, Japanese Foreign Minister Sosuke Uno said here today.

Speaking at a session of the House of Representatives Budget Committee, Uno expressed the hope that the treaty will remain in force beyond October 1988, when either of the two countries could terminate it, the KYODO News Service reported.

The 1972 joint communique and the peace treaty have helped the two countries put their relations onto a very good course in the past decade, the foreign minister said.

The Japan-China Peace and Amity Treaty was signed in August 1978 and took effect 2 months later. The two nations signed in 1972 the Shanghai Communique, which announced the restoration of their diplomatic relations.

The KYODO report also noted that Chinese Communist Party General Secretary Zhao Ziyang, in an interview with the Japanese newspaper "ASAHI SHIMBUN" published Sunday, said he hopes to maintain the pact.

**Southeast Asia & Pacific**

**Sihanouk Reverses Decision To Resign**  
*OW291533 Beijing XINHUA in English 1521 GMT*  
29 Feb 88

[Text] Beijing, February 29 (XINHUA)—Samdech Norodom Sihanouk announced here today that he has reversed a month-old decision to resign from the presidency of Democratic Kampuchea, according to a report of Agence France-Presse (AFP).

In written replies to questions from AFP, Sihanouk said he made the decision because of "insistent demands" from the Coalition Government of Democratic Kampuchea and because Vietnam had rejected his offer of direct talks, the report said.

Sihanouk also said he was willing to reopen talks with the Phnom Penh regime provided its premier, Hun Sen, first presented satisfactory proposals for an equitable solution to the Cambodian conflict, the report added.

Sihanouk announced his resignation on January 30 as president of Democratic Kampuchea.

**Son Sann Welcomes Decision**  
*OW010858 Beijing XINHUA in English 0728 GMT*  
1 Mar 88

[Text] Bangkok, March 1 (XINHUA)—Son Sann, prime minister of the Coalition Government of Democratic Kampuchea (CGDK) and his front have expressed welcome to the decision by Samdech Norodom Sihanouk to resume his functions as president of Democratic Kampuchea (DK).

A press release issued by Son Sann's office late last night said that if the news is confirmed, Son Sann and his front, the Khmer People's National Liberation Front (KPNLF) "gladly and warmly welcome this decision by HRH Samdech Norodom Sihanouk." "They are quite confident that, with HRH Samdech Norodom Sihanouk as their leader, the coalition resistance forces will be more united and stronger, and will be able to compel the Vietnamese aggressors to quickly and seriously seek a negotiated settlement of the Vietnamese-Cambodian conflict with the CGDK and other parties concerned in order to terminate their occupation of Cambodia," it said.

Samdech Sihanouk announced his resignation of DK president on January 30. [sentence as received] It was reported that he has reversed his decision to resign.



**Thailand, Laos To Hold Border Talks 3 March**  
*OW292351 Beijing XINHUA in English 1846 GMT*  
29 Feb 88

[Text] Bangkok, February 29 (XINHUA)—Thailand and Laos have decided to hold official political talks on March 3 here to settle the problem of border delineation at a disputed area for which they had had an armed conflict, a Foreign Ministry spokesman announced here today.

The spokesman said the Laotian Foreign Ministry delivered this morning to the Thai Embassy a message from the chairman of Laos' Council of Ministers Kaysone Phomvihane to the Prime Minister Prem Tinsulanon, confirming that Laos would send a government delegation to Bangkok to have talks with a Thai Government delegation over the border dispute.

Kaysone said his government accepts all agreements already reached by military delegations of the two countries and agrees to the delegations' proposal of settling the border dispute according to international laws, the 1907 French-Siamese treaty and related maps.

His message said the Laotian Government delegation will be headed by Thonglay Kommasith, vice director of the General Political Department of the Laotian Army, a post which the Laotian side claims is ministerial.

The head of the Thai delegation will be Kasem Kasemsri, under secretary of state of the Foreign Ministry, the spokesman said.

Thailand and Laos had been locked in fighting for the control of an 80-square-kilometer strip between Thailand's Phitsanulok Province and Laos' Xaignabouri Province since last November.

An agreement on ceasefire and troop withdrawal was reached here earlier this month between military delegations of the 2 countries following 2 days of talks.

The two countries completed the withdrawal of their forces 3 kilometers from battle lines in the disputed area on February 21.

Later, Thai Prime Minister Prem Tinsulanon sent a message to Laotian Chairman Kaysone asking Laos to send a delegation to Thailand to hold political talks.

**Vietnam Troop 'Build-up' in Western Cambodia**  
*OW010804 Beijing XINHUA in English 0736 GMT*  
1 Mar 88

[Text] Bangkok, March 1 (XINHUA)—Vietnamese troops in western Kampuchea have beefed up its [as received] forces with heavy artillery and tanks, reported the "BANGKOK POST" today.

The area for the recent military build-up is around Ampil, the former base of the Khmer People's National Liberation Front (KPNLF) under resistance leader Son Sann, opposite Ta Phraya District of the Thai Province of Prachin Buri.

Thai military sources were quoted as saying yesterday that the Vietnamese, who overtook the base in January 1985, have brought in tanks, 105 mm, 120 mm, and 130 mm artillery pieces, and armored personnel carriers since February 1.

Vietnamese troops have also increased patrols in the Ampil area, they said, but did not mention the intention behind the Vietnamese move.

**Near East & South Asia**

**Nepal Border Inspection Committee Meeting Ends**  
*OW291428 Beijing XINHUA in English 1332 GMT*  
29 Feb 88

[Text] Beijing, February 29 (XINHUA)—The first meeting of the second China-Nepal Joint Boundary Inspection Committee ended here yesterday.

The minutes on the meeting were signed by Xu Guangjian, chief representative of the Chinese side of the committee and deputy director of the Treaty and Law Department of China's Ministry of Foreign Affairs and Arzun Bahadur Basnyat, chief representative of the Nepalese side of the committee and senior survey adviser of the Ministry of Land Reform and Management of Nepal.

Chinese Vice-Minister of Foreign Affairs Zhu Qizhen and Nepalese Ambassador to China Nayan B. Khatri attended the signing ceremony.

**YAR Minister Receives CPC Delegation**  
*OW280853 Beijing XINHUA in English 1844 GMT*  
27 Feb 88

[Text] Sanaa, February 27 (XINHUA)—Arab Yemen's Deputy Prime Minister and Minister of Development Sa'id al-'Attar received here today the visiting delegation of the Chinese Communist Party headed by Li Zhechi.

During the meeting, they exchanged views on the economic development in the two countries.

The head of the Chinese delegation briefed Al-'Attar, who is also chairman of Arab Yemen's Central Agency for Planning, on the economic reform in China.

Al-'Attar appreciated China's experience in economic reform as well as its policy of opening to the outside world.

Two sides also expressed the willingness to improve bilateral relations through mutual visits.



### Sub-Saharan Africa

#### Further Reportage on Visit by Zambia's Kaunda

##### Meets With Sihanouk

OW010155 Beijing XINHUA in English 1655 GMT  
29 Feb 88

[Text] Beijing, February 29 (XINHUA)—Samdech Norodom Sihanouk, president of Democratic Kampuchea, met here this evening with Zambian President Kenneth David Kaunda, who is now on a visit to China.

Madame Monique Sihanouk was also present at the 50-minute-long meeting.

Earlier today, Sihanouk told an AFP correspondent that he had agreed [to] continue to be president of Democratic Kampuchea for the time being because of repeated requests made by the Coalition Government of Democratic Kampuchea.

##### Li Xiannian Hosts Banquet

OW291730 Beijing XINHUA in English 1627 GMT  
29 Feb 88

[Text] Beijing, February 29 (XINHUA)—Chinese President Li Xiannian said here today that the Sino-African solidarity and cooperation face ever broader prospects, and the friendly relations between China and Africa will continue to grow in strength.

Li made these remarks at a banquet he gave in honor of visiting Zambian President Kenneth D. Kaunda here this evening.

Li reiterated that it is an important component of China's foreign policy of peace to consolidate and strengthen its solidarity and cooperation with the African countries.

"In our bilateral economic and technological cooperation, the Chinese Government will continue to maintain the traditional ways of cooperation with African countries," he said.

At the same time, Li continued, in accordance with the principles of equality and mutual benefit, stress on practical results, diversity in forms and attainment of common progress, China and Africa will try to explore new fields and ways of cooperation.

He noted that in recent years, the economic situation in Africa has worsened with burgeoning debts, causing the concern of countries the world over.

He said that the fundamental turn for the better of the African economic situation requires not only the efforts of the African countries, but also the creation of favorable external conditions for which the international community, the developed countries in particular, bear unshirkable responsibilities.

"It is our hope that they would, taking into serious consideration the reasonable propositions of the African countries, raise development aid, reasonably resolve the debt problems, improve trading terms, increase capital input and keep on improving terms of credits for African countries," he said.

Li reaffirmed that China will, as always, firmly support the just struggle of the people in southern Africa. He strongly condemned the policy of the South African authorities of obdurately persisting in racial discrimination and the apartheid system, trying by every means to delay and obstruct Namibia's independence and making wanton intrusion into neighboring states.

He concluded that China and Zambia have long maintained close relations with each other. Their friendship based on mutual trust and mutual cooperation has withstood the test of time and is full of vitality. In his reply, Kaunda said that Zambia has, now and again, called upon the international community to take positive actions to dismantle the obnoxious system of apartheid as it currently obtains in South Africa.

"The evil system is the root cause of instability and violence not only in South Africa itself but also throughout the southern African sub-region as a whole," he added.

He emphasized that the situation in southern Africa is like a time bomb that will inevitably explode unless the international community finds a timely solution to defuse it.

He said the Pretoria regime has embarked on a policy of open destabilization, intimidation and naked aggression against the Frontline and other neighboring states. It is also in pursuit of this obnoxious policy that racist South Africa continues to maintain its stranglehold on Namibia.

He pointed out that apartheid South Africa's acts of destabilization and aggression against its neighbors have caused great damage.

He said that the situation inside South Africa can only improve if the Pretoria regime declares apartheid dead and buried, ends the existing state of emergency, lifts the ban on the African National Congress and other political organizations, and frees Nelson Mandela and other political prisoners and detainees.

He also demanded that the Pretoria regime allow Oliver Tambo and all other exiled leaders of the black masses to return to South Africa, and therefore initiate dialogue with the genuine representatives of the oppressed people, with a view to establishing a just, democratic and representative government in [words indistinct].

He appealed to the international community, particularly the Western countries which have a leverage over South Africa, to join forces with African countries towards the demolition of apartheid.

At the banquet, Kaunda and other Zambian visitors also sang an anti-apartheid song to the warm applause of those present.

Lin Jiamei, wife of the Chinese president, Yang Yiren, vice-chairman of China's National People's Congress Standing Committee, and Wu Xueqian, Chinese state councillor and foreign minister attended the banquet.

#### **Meets With Deng 1 Mar**

*OW010722 Beijing XINHUA in English 0656 GMT  
1 Mar 88*

[Text] Beijing, March 1 (XINHUA)—Chinese senior leader Deng Xiaoping and the visiting Zambian President Kenneth David Kaunda discussed Sino-Zambian relations and international issues of common concern here this morning.

This was the first time for the Chinese leader to meet foreign guests since China entered the "Year of Dragon" in mid-February.

President Kaunda said he was very glad to see that Deng is in very good health. China needs Deng, so does Zambia, the Third World and the whole world, the Zambian leader said.

Deng described Kaunda as China's "old friend," adding that Kaunda's description of Sino-Zambian ties as that between "all-weather friends" is a very good summary and squares with facts.

On international issues, Deng said that "hegemonism still exists today and superpowers' hegemonism is threatening world peace."

It was only an initial step to relaxation that the United States and the Soviet Union had signed an agreement on scrapping intermediate nuclear forces (INF). "We welcome such initial step," he added.

But, the question of nuclear disarmament of the United States and the Soviet Union remains to be settled, Deng said.

On regional issues, the Soviet Union and the United States have not solved the questions that should have been solved, the Chinese leader said.

Therefore, the realization of true relaxation requires a number of years of hard work on the part of the people of the world, Deng added.

He stressed that peace and development are the two major tasks facing various countries.

China's development is very essential to world peace, he said, adding that when China, a nation with one-fifth of the world's population, shakes off poverty, there will be a better guarantee for world peace.

"Therefore," Deng said, "we regard China's development as our duty-bound obligations to the people of the world."

Kaunda said he agreed with Deng on the question of peace and development.

After the meeting which lasted for more than one hour, President and Mrs Kaunda gave a reception at the Zambian Embassy here to meet old Chinese friends and make new acquaintances.

Chinese State Councillor Fang Yi, Minister of Communications Qian Yongchang and other high-ranking officials were among the guests at the reception.

#### **West Europe**

##### **Further on Visit by San Marino Leaders**

##### **Leave Shanghai for Nanjing**

*OW010539 Shanghai City Service in Mandarin  
2300 GMT 28 Feb 88*

[Text] Head of State Terenzi and Captain Regent Zafferani of the Republic of San Marino and their wives concluded their visit to Shanghai. Accompanied by Zhou Nan, vice minister of the Ministry of Foreign Affairs, they left Shanghai for Nanjing by special plane on 28 February. Mayor Jiang Zemin, Vice Mayor Liu Zhenyuan, Deputy Director of the Municipal Foreign Affairs Office Sun Zhu, and other officials saw them off at the airport.

##### **Visit Jiangsu Industries**

*OW010557 Beijing XINHUA Domestic Service  
in Chinese 1531 GMT 28 Feb 88*

[By Reporter Gao Feng]

[Text] Nanjing, 28 Feb (XINHUA)—Captains Regent (heads of state) Gian Franco Terenzi and Rossano Zafferani of the Republic of San Marino visited a clothing factory and a radio instruments plant at Shiqiao Town in Jiangsu's Hanjiang County this afternoon.

While visiting the tailoring workshop of the clothing factory, Jiangsu Governor Gu Xiuliang, who accompanied the distinguished guests on the visit, asked the latter

to view jeans, shirts, and jackets the factory was making for a U.S. customer. Picking up a pair of "Apple Brand" jeans, Zafferani said: "This brand of jeans is selling well in various parts of the world. Your products are of good quality, and I am sure that they will be well received by customers." Holding factory director Shao Yizhao's hand, Captain Regent Terenzi said: "Your factory turns out good-quality products and has a good reputation. I wish you greater success in your future work."

The distinguished San Marino guests also toured the Shouxihu Park and the Daming Temple in Yangzhou today. The distinguished San Marino guests arrived in Jiangsu by special plane this morning after visiting Xian and Shanghai.

### East Europe

#### Balkan Foreign Ministers Hold 'First Ever' Meeting

##### Commentary on 'Success'

HK290720 Beijing RENMIN RIBAO in Chinese  
28 Feb 88 p 6

["Short" commentary: "Enlightenment From the Balkan Foreign Ministers' Meeting"]

[Text] The first ever meeting of Balkan foreign ministers concluded on 26 February. As a result of common efforts, the meeting resolved to strengthen cooperation in all fields; it thus promoted mutual understanding and trust, gained success, and was welcomed by public opinion in the various countries.

During the 3-day meeting, foreign ministers of the six states displayed a unanimous desire to improve relations, promote mutual understanding, and reduce and resolve differences. They exchanged views on Balkan multilateral cooperation issues of common concern, putting forward many useful proposals, and reached an identity of views on many issues. The meeting showed the world that even in the Balkan Peninsula, historically turbulent, so long as the countries concerned make common efforts in line with good will and the spirit of friendly consultations, many of their differences and conflicts can be settled equitably. Even if the conflicts cannot be resolved for the time being, they will not harm cooperation and friendly coexistence among them.

The success of this meeting is the result of the common efforts of the Balkan states. The host country, Yugoslavia, made its own contribution to this success. The meeting marked a new page in the annals of relations among these states and the start of new progress. For many years, the Balkan Peninsula has been riven with contradictions and known as the "powderkeg" of Europe. Now the governments and peoples of these states are realizing ever more clearly that although differences exist between the countries of the region, there

are also tremendous possibilities for strengthening cooperation and promoting mutual development. It is very wise and more in accord with the interests of these states to abandon previous resentments, look forward, seek common ground while reserving differences, and develop regional cooperation. This is also an encouraging trend in the development of the situation in the Balkans. This is precisely the premise for the success of the foreign ministers' meeting. The joint communique adopted by the meeting has laid a very good foundation for effective multilateral cooperation among the Balkan states. This is beneficial for peace and stability in the Balkans as well as for regional economic development.

The foreign ministers who attended the meeting emphasized that it is essential to respect the different international positions and social systems of the Balkan states and also to respect the principles of equality, independence, sovereignty, territorial integrity, and noninterference in each other's internal affairs. This was the fundamental guarantee for the success of the meeting. These principles stressed by the Balkan foreign ministers are applicable not only in the Balkans but are universally applicable in dealing with relations between any countries. Although there may be differences of various kinds between states, the problems will not be hard to solve so long as they can truly adhere to these principles. This is enlightening for the whole world. It is precisely in this sense that the success of the Balkan foreign ministers' meeting is not confined to the Balkan region alone.

##### News Analysis on 'Hope'

OW271207 Beijing XINHUA in English 1248 GMT  
26 Feb 88

["News Analysis: Hope Grows for Balkan Conference Success (by Zhou Xisheng)"]—XINHUA headline

[Text] Belgrade, February 25 (XINHUA)—Chances for success at the first Balkan foreign ministers meeting seems to be growing now that the participants have expressed the desire to enhance inter-Balkan cooperation.

The foreign ministers of Albania, Bulgaria, Greece, Romania, Turkey, and Yugoslavia have been meeting at the "Sava Convention Centre" here since Wednesday morning, discussing ways to improve relations in the region.

During the first day's "statement session," the six ministers, speaking in alphabetical order, analysed the situation in the Balkan Peninsula and offered development proposals for this "sensitive and complicated" part of the world.

Analysts believe that the six delegates' well-prepared speeches on Wednesday reflected a common desire for more cooperation and less disagreement.



Romanian Foreign Minister Ioan Totu indicated that a peaceful and stable Balkan region would not only benefit Balkan people but also contribute to the life and development of all Europe.

On the background of tangible and favorable changes in the world, "the Balkans should not remain indifferent to the historical chances," Bulgarian Foreign Minister Petur Mladenov said at the session.

The participants admitted that differences and problems exist among Balkan states, but they stressed the importance of "leaving behind the contradictions and looking forward to the future."

"We can never permit the painful history of the divided Balkans to be repeated," Yugoslav President Lazar Mojsov said at Wednesday's opening ceremony.

In a message delivered today, Albanian leader Ramiz Alia expressed his conviction that Balkan nations would "find convenient and acceptable ways for establishing fruitful cooperation."

Meanwhile, Bulgaria, Greece and Yugoslavia proposed that the Balkan foreign ministers meet every other year alternating between the six Balkan capital cities.

Bulgaria suggested that a telephone "hotline" linking leaders of all Balkan states be set up to deal with possible conflicts or incidents in the region. Romania's Totu

invited the leaders of the other five Balkan countries to visit Bucharest for a summit either within the year or in the second half of next year.

Albania voiced support for the demands of Romania, Bulgaria, and Greece to build the Balkans into a zone free of nuclear and chemical weapons.

The Greek side recommended establishment of a Balkan institute for economic research with headquarters in Athens.

Yugoslavia, Albania, and Romania stressed the need to promote inter-Balkan trade relations, including an expansion of frontier trade and reciprocal reduction of customs duties.

Yugoslav Foreign Minister Budimir Loncar said the current trade volume among the six countries accounts for a mere 4 percent of the region's overall trade.

The six foreign ministers were holding closed door discussions today to explore other possibilities for cooperation.

The three-day meeting is scheduled to end on Friday and a joint statement is expected to be issued at the closing session to set the tone for the future course of inter-Balkan cooperation.



**Zhao Proposes New Economic Strategy**  
*HK010218 Hong Kong TA KUNG PAO in Chinese*  
1 Mar 88 p 1

["Special Dispatch": "Zhao Ziyang Proposes New Economic Strategy"]

[Text] Beijing, 29 Feb—Beginning at the end of last November, CPC Central Committee General Secretary Zhao Ziyang made two inspections of the coastal regions including Shanghai, Zhejiang, Jiangsu, and Fujian. Afterwards he wrote a report entitled "The Question of Strategy for the Economic Development of the Coastal Regions." Deng Xiaoping wrote a note on 23 January, after reading this report: "I fully agree. We must in particular pursue this with great boldness and speed up our pace; we must not bungle this chance." This coastal region economic development strategy, after being discussed and approved by the fourth plenary meeting of the Political Bureau, is now beginning to be implemented in the coastal regions under leadership and in a planned and measured way.

Not long after the conclusion of the 13th National Party Congress, Zhao Ziyang made two on-the-spot inspections in the southeast coastal regions, and put forward his coastal economic development strategy.

The main points of the general idea for this strategy are: Seize the favorable opportunity presented by the world economic situation, take full advantage of the strong points of the coastal regions — such as abundant labor resources of relatively high quality and relatively low costs, relatively good science and technology strength, relatively good industrial and agricultural foundation, relatively quick access to information, and relatively good external communications — and develop labor-intensive industries and combined labor-intensive and knowledge-intensive industries; the processing industries should practice "extending their two ends outside," that is, they should look to the international market for sources of materials and sales of products, and import and export on a large scale; the focus in the use of foreign investment should be on attracting direct investment by foreign businessmen and vigorously developing wholly foreign-owned enterprises, Sino-foreign joint ventures, and Sino-foreign cooperative enterprises.

Following his investigation, Zhao Ziyang wrote his report entitled "The Question of Strategy for the Economic Development of the Coastal Regions." The report is in six parts: 1) the favorable opportunity and our development strategy; 2) speeding up the pace of reforming the foreign trade system; 3) further enlivening the enterprise mechanism and giving full scope to the vital force role of the township and town enterprises; 4) tangibly improving management standards and allowing foreign entrepreneurs to come to China to manage enterprises along international conventional lines; 5) promoting the conversion of science and technology into productive forces, and giving full scope to China's strong

point in developmental scientific and technological forces; 6) the need to accelerate coastal economic development and also stabilize the economy of the whole country. In his 12,000-character report, Zhao Ziyang expounded on his complete set of general ideas in a fully reasoned way.

This report was sent to the concerned central leaders in January. On 23 January, Deng Xiaoping finished reading the report with great interest, and made his important comment. On 6 February, the fourth plenary meeting of the Political Bureau decided after discussion to resolutely organize the implementation of this strategy, and to regard it as a major task to be tackled in 1988. The meeting also unanimously held that Deng Xiaoping's comment was of extremely important guiding significance for ensuring the success of all economic work in the future.

The meeting also held that, fundamentally speaking, this development strategy would be bound to help promote economic development in central and western China. In recent years, the economy in the coastal regions has developed very rapidly, and in some developed areas over half the peasants have switched from agriculture to other sectors and are working in secondary and tertiary industries. In the past such a development depended to a very high degree on raw materials being supplied by the interior; after processing, these materials are sent back to the interior as finished goods. If this went on for a long time, the interior would remain backward for a long time in its efforts to maintain development of the coastal regions; and if the interior itself developed, it would have its own raw materials and markets, which would mean that the coastal regions would wither on the vine. Such a road would become ever more narrow. The idea that the coastal regions should develop an export-oriented economy has opened up a new path for resolving these contradictions and attaining the common prosperity of the people of the whole country. The economic development strategy for the coastal regions is not just a regional strategy but is in essence an overall strategy related to the development of the entire national economy.

**Steps To Separate Party, Government Reported**  
*HK010729 Hong Kong SOUTH CHINA MORNING*  
*POST in English 1 Mar 88 p 10*

[By David Chen]

[Text] China yesterday took the first steps of separating party functions from the administration.

The concept was spelt out by the party general-secretary, Mr Zhao Ziyang, at the 13th National Party Congress in October.

However, the moves in no way indicate that party cells in the State Council and the numerous regional and local administrations which have been an inherent part of the

Chinese system since the People's Republic of China was founded, are to disappear altogether, which was originally believed to be the case.

These cells, according to an official report from Beijing, are to be replaced by working committees although their responsibilities are somewhat different. Similar working committees are also to be set up within the party Central Committee.

The main tasks of these two committees are to lead and direct the work of the organisations directly under the party centre and the Government departments.

Analysts are puzzled at the renaming of these committees but what is clear is that they will comprise only a fraction of the original party cells with more restricted power and composition.

In the Government, in particular, the working committees, although under the party, will no longer be able to interfere with administrative work.

The two working committees will concentrate on party work, including proper educational and administrative duties of party members. They will also be responsible for examining, supervising and approving the work of party secretaries and assistant secretaries.

The new system will streamline party structures at various levels and free the running of enterprises and Government bureaux from party meddling.

However, whether such a change will be effective will depend very much on individual units and perhaps even the personalities of those charged with the running of Government bodies and party cells.

The working committee under the Central Party Committee is to be headed by Mr Wen Jiabao, an alternate member of the new five-man party Secretariat. On the Government's party working committee, the secretary-general of the State Council, Mr Chen Junsheng, has been made director.

While Mr Wen's appointment should not have come as a surprise, that of Mr Chen does, because it indicates that the relatively young secretary-general, who rose to the top post in 1985, has been assuming a dual role of looking after the party cell of the State Council and the administrative work of the Government's secretary-general.

It is too early to say how the separation of party and Government functions will work, nor is there any information about superfluous members of the former party cells.

However, many analysts said the latest action represents a change for the better, provided the scheme can be properly implemented.

**Central Committee To Set Up Work Committees**  
*OW280228 Beijing XINHUA in English 0204 GMT*  
28 Feb 88

[Text] Beijing, February 28 (XINHUA)—The Chinese Communist Party Central Committee has decided to set up two work committees in charge of party work in central party and government departments.

The work committee of departments under the party Central Committee is headed by Wen Jiabao, member of the party Central Committee and alternate member of the Secretariat, while the work committee of central government departments is headed by Chen Junsheng, member of the party Central Committee and secretary general of the State Council.

The party Central Committee also approved proposals advanced by its organization department and other units for improving party work in central party and government departments.

The two work committees are charged with the task of outlining party consolidation in the departments concerned, strengthening ideological and organizational work, supervising the work of department leaders, and organizing implementation of tasks assigned by the party Central Committee.

They are also to strengthen democratic criticism and self-criticism inside the party organizations, and handle cases involving party members violating party discipline.

Under the principle of separating party and government functions, the routine administrative responsibilities will be placed with government departments.

**Special Groups on Lin Biao, Others Abolished**  
*HK010819 Hong Kong WEN WEI PO in Chinese*  
29 Feb 88 p 1

[Dispatch by WEN WEI PO reporter from Beijing: "Two Special Case Groups on Lin Biao and the Gang of Four Abolished"]

[Text] Beijing, 28 Feb (WEN WEI PO)—According to well-informed sources, the CPC Central Committee has notified departments concerned that the examination and investigation work of the two special case groups on Lin Biao and the "gang of four" has basically been completed and that these two special case groups will be abolished in a couple of days.

A small number of questions and things not yet completed will be handled by the CPC Discipline Inspection Commission and other legal institutions concerned.



**Commentator Views 'Initial Stage of Socialism'**  
*HK010203 Beijing GUANGMING RIBAO in Chinese*  
23 Jan 88 pp 1, 4

[Commentator's article: "Strive To Deepen and Develop the Study of the Theory on the Initial Stage of Socialism"]

[Text] The theory of the initial stage of socialism which is posited in the report to the 13th party congress has evoked tremendous repercussions in and outside both China and the CPC. Not only does this theory provide powerful ideological weapons for the further liberation of the thought of the entire party and the masses and help promote the reform and advocate the development of productive forces, it also indicates a correct direction for research on the theory of prosperity and the effort to change the situation in which theory falls behind practice. For the present as well as for a period of time to come, a most significant task for our theoretical research is to deepen and develop the research on the theory of the initial stage of socialism and perfect it along with the development of modernization and reform and opening up. Those engaged in philosophy and the social sciences should join this research with vigor and together shoulder this important historical task which our time has entrusted to us.

On the basis of summarizing the positive and negative experience of the PRC in socialist construction in the 30 odd years since its founding, especially its experience in reform in the last 9 years, the report to the 13th party congress systematically expounds the historical inevitability and protracted nature of the initial stage of socialism, and the basic meaning, characteristics, major contradictions and fundamental task of the initial stage, as well as the basic line that should be observed and the guiding principle of far-reaching significance that should be adopted during the initial stage, and outlines a basic profile of the theory of the initial stage of socialism. However, as the report points out, the initial stage of socialism is a long developmental process. In many ways, our knowledge of the conditions, contradictions, evolution and pattern of this stage is far from adequate. Positing the theory of the initial stage of socialism is not a conclusion to research on this question. Rather, it requires that we further expound, investigate, develop, and perfect this theory. As we all know, it took our party almost 20 years — from the founding of the CPC to the victory of the new democratic revolution — to begin to understand that China was a semi-colonial, semi-feudal society, and then to posit the thought that the national, democratic revolution is a necessary stage for the socialist revolution, and then to formulate the theory of new democracy. The initial stage of socialism takes about 100 years. It has to complete historical tasks that are even more formidable than those for the new democratic revolution and it has greater meaning than the latter too. Therefore, it takes a considerable period of persistent investigation and research before we can understand all aspects of the situation, contradictions in all realms

concerned, and the pattern of evolution of this stage. It should be noted that the theory of the initial stage of socialism is a theoretical result of the integration of the basic principle of Marxism and the Chinese modernizations. It is also a theoretical basis for our observation of and solution to the question of contemporary Chinese modernizations and reform. No other theory can be compared to this one either in terms of its rich content and profoundness or its theoretical and practical significance. Our theoretical workers should set their eyes on the theory of the initial stage of socialism and from it develop an impetus to the study of other topics, so as to promote the development and dynamism of all the social sciences. At present, we should use the initial stage of socialism that was raised in the report to the 13th party congress as the basis to continue to expound and prove this theory, expand the study to the realms of economics, politics, culture, party construction, and the united front during the initial stage of socialism, and clarify their characteristics and pattern of development, and their relationship with the initial stage of socialism. In so doing, we should further apply the guiding function of theory to modernization, reform and opening up, so as to change the situation in which theory does not fit in with and in fact lags behind practice in reform.

In deepening and developing the study of the theory of the initial stage of socialism, we must link theory with practice and conduct in-depth investigation of the national conditions on a large scale. The theory of the initial stage of socialism is scientific socialism rooted in the reality of contemporary China. It is neither copied from books nor deduced from any concept. It is the result of the party's realistic thought based on actual conditions. It is cultivated on Chinese soil. Therefore, we must free ourselves from the fetters of book worship and old models, liberate our thought in a realistic way, go into the dynamic modernizations and reform, firmly grasp the most fundamental reality of the initial stage of socialism, and do more investigative work.

We must get hold of first-hand materials, process them, and conduct both quantitative and qualitative analyses of the conditions, contradictions and development tendency of the initial stage of socialism. We must listen to the call of practice and apply Marxist perspectives and methods to arrive at a realistic and scientific summary of the new conditions, problems, and experiences that emerge from the modernization construction, reform, and opening up. We must collaborate with practical workers, hold dialogues with the cadres, promptly grasp the pulse of the society's thought, and investigate the effective channel and middle link in the transformation of theory to practice. Concrete investigation helps promote the scientific spirit of Marxism and creation of energy. It also helps us to avoid the scholastic research methods of book worship and abstract approaches, so as to basically change our academic style.

To deepen and develop the research on the theory of the initial stage of socialism, we must thoroughly implement the policy of letting a hundred flowers blossom and a

hundred schools of thought contend, strive to build a democratic and harmonious environment, and create an atmosphere of liberal investigation, democratic discussion, and scientific arguments. This is a necessary condition for active formulation of theories and an important guarantee for the development and perfection of the initial stage of socialism. We should be fully aware that social science research is an investigative theoretical activity. Without investigation, creation, comparison of different experiments and discussion of different opinions, our theory will lack vitality. In the process of deepening and developing the research on the theory of the initial stage of socialism and thorough implementation of the policy of letting a hundred flowers blossom and a hundred schools contend, we must initiate and encourage discussions that tolerate different and opposing opinions. Only in this way can we open up our minds, enlighten each other, increase our knowledge, gather correct opinions, and gradually form new, scientific theoretical perspectives. We should avoid administrative intervention that aims at reaching uniformity on theoretical questions. Instead, we should let practice verify, correct, and perfect different opinions and viewpoints. As long as we take the reality of the initial stage of socialism as a basis, deviation or even mistakes in the investigation should not be labelled as liberalization or ossification. We should know that with the initial stage of socialism as the overarching question, each and every one of us needs a process to understand each question. It is impossible for us to have a comprehensive and profound understanding of it overnight. You may know this question better, and I may know that one better. However, you may be biased in one aspect, and I in another. In the process of investigation and discussion, we should all absorb what is reasonable from others, overcome our partiality, and especially guard against replacing and assessing others' partiality with our own, so as to be impartial and strengthen the solidarity of the theoretical contingent in the process of theoretical research.

We believe that with the deepening implementation of the party's spirit of the 13th party congress and the joint effort of theoretical workers, the theory of the initial stage of socialism will be continuously complemented, developed, enriched, and perfected. It will be grasped by more and more cadres and will help reform and construction to continuously move forward.

**Zhao Settles Joint Venture Problem in Guangzhou**  
*HK280312 Hong Kong SOUTH CHINA MORNING POST in English 28 Feb 88 p 1*

[By Tsang Shuk-wa]

[Text] Chinese Communist Party chief Zhao Ziyang has intervened to solve a dispute in a joint venture involving Hong Kong tycoon Gordon Wu.

Mr Zhao, the Secretary-General of the party, ordered Shenzhen officials to stop attempting to tamper with the construction of the \$8-billion super-highway across Guangzhou being built by Mr Wu's company, Hopewell Holdings.

After a one-hour meeting with Mr Wu last weekend, he personally ordered officials from the Special Economic Zone to drop demands on the joint venture partners.

Mr Wu was at loggerheads with the officials over the right to design and build an inspection station along the 320-km Guangzhou-Shenzhen-Zhuhai expressway, which would shorten the journey from Hong Kong to Guangzhou to two hours when completed in late 1990.

The officials demanded about \$275 million in cash from Mr Wu, expecting him to hire municipal authorities as the subcontractor for the building.

But Mr Wu refused because they came up with some "horrible and outdated" proposals.

The row reached the ears of Beijing authorities and Mr Zhao decided to sort it out personally. During a sweep through southern China during the Lunar New Year week he travelled to Shenzhen to deliver a stern lecture to the local cadres.

Mr Wu said yesterday: "Shenzhen has got his notion that what they want is our money. They're all disciples of Winston Churchill. (Winston Churchill said 'give us the tools and we shall execute the job. we shall not fail nor falter')."

"The Shenzhen municipal officials said 'Mr Wu, just give us the money, we'll design it and build it' and I told them 'the hell you will'.

"I said anything we do we're going to have a final say on the design, we're going to have the final say on control and we'll pick our contractor."

The row started to simmer last summer soon after the construction of the super-highway was finally kicked off in April.

The SEZ government intended to strike Mr Wu's Hopewell Holdings off the municipal list of registered architects and disqualify the firm from designing buildings within the jurisdiction of the zone.

Mr Wu took the row to the Guangdong provincial government and won support, but the Shenzhen authorities refused to budge.

He then wrote to Mr Zhao seeking his intervention in the row which has delayed the joint venture project with Guangdong Provincial Highway Construction Company by some five months.



Before the project began in April, a few months later than scheduled, Mr Wu had spoken to Mr Zhao five times seeking his approval to cut through the red tape to allow construction to start.

"I met Mr Zhao way back in 1981 and we always have very amicable discussions. He understands what I'm trying to do and he inquires about all the projects," he said.

When Mr Zhao toured Shenzhen, Hainan Island, and Zuhai during his recent trip, he met with the Hong Kong businessmen in Shenzhen and reaffirmed his support for the massive highway project.

He told Mr Wu that the highway would bring the counties in the Pearl River delta closer together and thus enhance its development to eventually become "Asia's fifth dragon".

The flamboyant Hong Kong tycoon, who also dreamed up an ambitious \$25 billion replacement airport proposal for Hong Kong, was also commended by Mr Zhao for his contribution to China.

Hopewell is currently the largest foreign investor in China with a total investment of more than \$5 billion.

One of Mr Wu's investments, construction of the Lowu customs house, had a slight setback last year when Shenzhen authorities changed the conditions of the agreement and bought back the building in which Hopewell had invested about \$100 million.

Mr Wu said Mr Zhao had told him that the compulsory purchase was due to a policy change as the state council had decided not to charge homecoming Hong Kong people a levy.

If the building was to be operated jointly by Hopewell and the Shenzhen authorities, Hong Kong people passing the Lowu checkpoint might have to pay a levy.

Mr Wu said he was satisfied with the deal because China had reimbursed him with the construction cost plus a few million dollars profit.

He said he expected to face a few more stumbling blocks during the construction, but he was confident that Beijing and the provincial government would offer support.

The Guangdong provincial government, for example, had taken over the responsibility for land production.

Mr Zhao was accompanied by Vice-Premier Tian Jiyun in the trip to southern China.

It is understood that Mr Tian, who will succeed the retiring state councillor Gu Mu to oversee foreign investment, had earlier made a trip to Guilin to attempt to resolve a dispute between an Australian hotelier and the municipal's authorities over the Guilin Garden Hotel.

**Article Views 'New Breakthrough' in Rural Reforms**  
*HK261231 Hong Kong LIAOWANG OVERSEAS*  
*EDITION in Chinese No. 7, 15 Feb 88 pp 7-8*

[Article by Li Shuzhong (2621 2885 1813): "New Breakthrough Is Brewing in China's Rural Reforms"]

[Text] Two weeks ago, at the national agricultural work conference, He Kang, minister of Agriculture, Animal Husbandry, and Fishery, reported to the nation: The rural economy continued to develop steadily in 1987. The total grain output increased by 2.5 percent over that in the previous year and exceeded 400 million tons; animal husbandry products except for live pigs all increased; the total output value of township and village enterprises reached 450 billion yuan and exceeded the total agricultural output value; and the per capita income of the peasants increased by 30 yuan....

These figures reflect the honor of the time-honored land in the East. However, not all aspects of the development of the rural economy are satisfactory, and many problems have appeared. When He Kang was delivering his report, some housewives at a nearby fair market were complaining that the prices of various non-staple foods were rising faster than wages and that they had to buy pork and edible oil on rations. At the same time, the peasants were complaining about the sharp rise in the prices of chemical fertilizer and pesticide. A peasant from Xinjin County, Sichuan Province, said that he could earn only 0.03 yuan by planting each jin of sugar cane, and this price was even lower than that for a jin of grass.

The above are merely some of the many troublesome problems encountered by China's agriculture. At the national work conference, the experts tried their best to study and seek effective ways of ensuring the steady growth of China's rural economy. Li Peng, acting premier of the State Council, said that when China is carrying out all-round reforms, close attention must be paid to agricultural development to ensure the country's economic stability. According to some authoritative people in charge of the agricultural work in the State Council, some areas in all parts of the country have been carrying out experiments for in-depth reforms, and they are expected to make some new breakthroughs. Two Shock Waves [subhead]

When rural reforms have been mentioned in the past few years, most people in China may become rather excited. Indeed, the rural reforms in the past 9 years and more have achieved remarkable results. If you make a tour of the fair markets, you may be deeply impressed by the

stalls fully stocked with chicken, duck, fish, meat, vegetables, fruits, and other foodstuffs. The peasants have seen their incomes increase by more than 200 percent in the past 9 years. Their livelihood is obviously and steadily improving.

The rural reforms in the past 9 years were carried out in two main steps.

The first step was taken between 1979 and 1985, and the central task of the reform was to enable the peasants to determine their own production and business operations. Farm land, machines, and tools which were previously managed by collectives were assigned to peasant households on the basis of production contracts. Peasants were then allowed to arrange their production in light of the market needs. At the same time, the central government appropriated tens of billions of yuan each year to pay the peasants for their farm products after raising the prices of these products. This greatly aroused the peasants' enthusiasm for developing their land. In this period, the total volume of agricultural and sideline product being purchased by society increased by 200 percent.

At the same time, the state also gave more freedom to the peasants to engage in various economic activities, and allowed them to run factories and shops, run businesses, and offer labor services to cities. This series of reforms formed a huge shock wave which destroyed various outmoded traditions and habits in the countryside and brought great vigor to the rural economy.

The second shock wave occurred in 1985. After the production of agricultural and sideline products increased by a big margin, the state found it difficult to continue providing huge subsidies to purchase these products. The better the harvests, the more strained the state finances became. At the same time, inflation also became more serious. In view of this, the second step of the rural reforms was to gradually change the state monopolized purchase and marketing of agricultural products so that farm products could freely be sold on markets and be exchanged for industrial goods from cities. This was to boost the self-development capability of the rural economy. The second step induced a greater shock wave in the countryside than the first. The entire rural economy was then drawn to the market, and the peasants began to learn how to observe market conditions and calculate costs and profits. Problems Appeared One after Another, and the Development Momentum Could Not Be Permanently Sustained [subhead]

After the reform of the farm product purchase system, a small number of major products, such as grain and cotton, were purchased by the state from the peasants according to purchase contracts, and other products could be sold freely on the markets at market prices. However, the peasants lacked the experience of conducting commodity production. The sharp rise in the prices

stimulated rapid growth in production, and overproduction then led to price drops. Two years ago, long-haired rabbits were sold at a profitable price, and almost all peasant households in the Jiaodong area of Shandong Province raised rabbits. Then the oversupply of these goods on the market caused losses to many peasants. The severe market fluctuations frightened many of them. They did not dare invest their funds in production; instead, they spent a great deal of money on building houses or arranging extravagant wedding banquets.

The declining production enthusiasm of the peasants was also reflected in the condition of the farm land. In recent years, because the use of organic fertilizer was reduced, the fertility of the soil was worsened. According to statistics, three-fifths of the country's farm land lacked phosphorus; one-fifth of the farm land lacked potash fertilizer; and 30 percent of the farm land suffered from soil erosion.

Moreover, many irrigation facilities went unrepaired for a long time, and the irrigated acreage decreased by more than 600,000 hectares in the 6 years after 1980. The ageing of farm machines also became more and more serious, and acreage plowed by tractors decreased by more than 4 million hectares.

A more serious problem is that China's limited farm land rapidly decreased at a rate of more than 400,000 hectares a year because the peasants built houses, factories, and roads and expanded towns. Between 1981 and 1987, farm land in China shrank by more than 3 million hectares, but the population continued to increase. This further burdened the remaining farm land.

In addition, the supply of major farm and sideline products also became more and more strained. On the one hand, the prices of food grain, pork, and sugar were still too low, and this affected the peasants' production enthusiasm. On the other hand, the consumption level of the general public rose substantially. Now, the total savings of urban and rural residents exceeded 300 billion yuan. The sharp increase in the consumption fund not only strained the supply of everyday industrial goods, but also left some farm products in short supply. In particular, in some large and medium-sized cities, the supply of meat, eggs, sugar, and other non-staple food became rather strained, and many cities had to restore the ration system.

The above-mentioned problems and contradictions have undoubtedly cast a pall over China's rural economy, but if people look beyond the dark side, they may not feel so depressed. Anyhow, since 1985, the total social output value in the countryside has increased steadily by a rate of 11.9 percent a year. It just seemed that the pace of advances was not as brisk as in the first step of the rural reforms. "New Soil," Good For Reforms, Has Been Formed [subhead]



To solve these problems in China's rural economy, we cannot backtrack to the old road of the people's communes, and the peasants will certainly oppose this. It seems that the only way we can take is to further deepen the reforms, because in China's countryside today, the "soil" suited to further reforms has been gradually formed, and the precursor of the commodity economy has appeared.

At present, the production structure in the countryside is being rationalized, and becoming more adaptable to market demands. The township and village enterprises now produce more than half of the total social output value in the countryside. They have not only added new blood and strength to China's industry, but have also accumulated funds for the further development of the rural economy. The proportion of planting operations in agriculture has also obviously decreased, and the proportions of forestry, animal husbandry, sideline operations, and fishery have been growing every year. Commerce, service trades, transportation, and construction have also been developing rapidly. Millions of construction workers from rural village are diligently working on various construction sites in all parts of the country.

According to some experts' analysis, such a rural economic structure will be favorable to the all-round development of the rural economy, and will raise the proportion of commodities in rural products.

In the field of circulation, aside from the state-run commercial organizations and the supply and marketing cooperatives, now some 14 million peasants are playing an active role in promoting the commodity circulation between urban and rural areas. They deal in a wide range of goods. From the small number of eggs supplied by peasant housewives to thousands of tons of bananas and oranges, all kinds of goods are marketed through these peasant traders.

Another more important factor for the development of the rural commodity economy is the rise of the service trades. Throughout the country, there are more than 60,000 specialized technical associations providing technical information and services for the peasants. In the rural areas of Suzhou, Jiangsu Province, if a peasant has some trouble with his tractor, he can phone the nearby farm machine service center, which will then send a technician to fix the breakdown. The services are related to all links before, during, and after agricultural production. In the rural area of Suzhou, there are more than 3,200 production service centers at the village level. However, such things are developing slowly in the central and western parts of China.

Another noticeable phenomenon is the growth of the rural market mechanisms. The commodity markets have been developing more rapidly. Throughout the country, there are more than 60,000 trade centers, more than 3,000 specialized markets, and more than 2,000 wholesale markets. The turnover of goods on these markets

run by the peasants is large and quick, and they can promote the circulation of goods over broad areas. A button market run by peasants in Wenzhou, Zhejiang Province, is rather famous. When visiting that market 2 years ago, Zhao Ziyang bought two packets of buttons for his family.

Now, markets for various production factors have also appeared. Aside from the agricultural bank, credit cooperatives, foundations run by peasants, and small private banks also play an active role in offering credit services to the peasants. In Wenzhou, unofficial credit exceeded 200 million yuan, and forcefully promoted the development of the local economy. In addition, the labor service market, the technology market, and the information market have also rapidly developed in the past 2 years. Many craftsmen from Jiangsu and Zhejiang can be found in western provinces of Shaanxi, Ningxia, and Xinjiang; and many robust peasants from western provinces are working in the eastern developed areas.

Through an analysis of these new changes and new things in today's rural economy, we find that the elements of the commodity economy are growing more and more in the countryside, and this is in line with the purpose of the reforms and provides a favorable environment for further deepening of reforms. New Reform Experiments Have Begun [subhead]

The existing contradictions are promoting the in-depth development of the reforms. To prevent twists and turns, the CPC made an important strategic decision last year: to set up reform experiment zones.

The designated experiment zones are authorized to break through the existing systems and policies to overcome the difficulties generally encountered in the development of the rural economy. This includes the land system, the township and village enterprise system, the farm product price system, the farm product circulation system, and the financial system.

Because these test projects could encounter great difficulties and affect the national economy, the risks were thus dispersed to different parts of the country. Through consultations between the Rural Development Research Center of the State Council and 10 provinces, including Heilongjiang, Sichuan, Guangxi, Hebei, Anhui, and Jiangsu, 12 experiment zones have now been designated. The counties involved in reform experiments account for less than 1 percent of the total number of counties in China, but they are shouldering the mission of exploring the road of reform for all rural areas.

All experimental projects are required to be scientifically designed and planned through a series of strict procedures of investigation, discussion, deliberation, approval, implementation, supervision, review and summing-up, and assessment. The provinces and autonomous regions with experimental zones have also set up special leading organs to guide the work of the zones.

Through explorations in the past year, some projects have achieved initial results. For example, land is always regarded by peasants as their lifeblood. In the first step of the rural reforms, although farm land was contracted to the peasants, they still could not transfer the land from one person to the other. The experiment zone of Weitan County, Guizhou Province, formulated new regulations on land transfers. According to the regulations, if peasant A transfers his contracted land to peasant B, peasant B will pay 40 to 50 percent of the yield from the land to peasant A each year. In addition, Shunyi County, Beijing Municipality is experimenting with appropriately concentrating the management of the land so that farm production can be conducted on an economic scale and the defects of scattered land management can be overcome. Now, 94 percent of the villages in this county have adopted the new management methods on a trial basis, and the productivity has been markedly raised.

The experiments in reforming the rural enterprise management system have also achieved satisfactory results. In Fuyang Prefecture, Anhui Province with a population of more than 10 million people, there are 180,000 township and village enterprises. They are a successful example of China's present rural reforms. However, due to the influence of the traditions in China's countryside, the property relations inside the enterprises are not clear. Many enterprise managers and factory directors like to appoint their relatives to key positions in the enterprises. The external environment of these enterprise is not satisfactory either. To deal with this problem, Fuyang Prefecture laid down eight sets of enterprise management regulations, and divided the rural enterprises into eight major categories, namely: contracted enterprises; joint-stock enterprises; partnership enterprises; proprietorship enterprises; leased enterprises; affiliated enterprises; and social security enterprises. Thus, the internal property relations of these enterprises can be clearly sorted out. At the same time, they also took measures to bring the 800 commodity markets in the prefecture under regular control, established a financial market, and standardized the functions of the government institutions. All this created a good external environment for the healthy development of the township and village enterprises.

In addition, the financial system reform in Guanghan County, Sichuan Province, the new integrated system of agriculture, industry, and commerce in Yulin City, Guangxi Autonomous Region, and the service organization established in Liquan County, Shaanxi Province, are all experiments that have achieved different degrees of breakthrough.

Not long ago, a group of experts from the World Bank made a 1-month inspection tour to seven experimental zones in Jiangsu, Anhui, Henan, Heilongjiang, and Beijing. The leader of this inspection delegation said: "I am amazed at and deeply impressed with the profound degree and high level of the reform schemes in these experiment zones." The experts appreciated the practice

of first carrying out experiments in a small number of areas and then spreading the reform measures to other parts of the country. The World Bank has planned to provide a loan to support the reform experiment in Fuyang Prefecture, Anhui Province.

In the past year, in conflict with the old economic structure and the traditional ideas of the small-scale peasant economy, the new rural reform experiments in China have made progress and achieved initial results. These new reform "sparks" will kindle the "prairie fire" throughout the country, and exert far-reaching influence.

As an expert of the Rural Development Research Center of the State Council described, the rural reforms in the past 9 years have freed millions of Chinese peasants from the old, rigid, and highly centralized system, and the new reform experiments will be focused on establishing a set of new systems and organizational forms, and eventually establishing a brand-new economic structure that is suited to the development of the commodity economy. Then, the Chinese peasants who lived in poverty from generation to generation will possess a richer and more colorful world full of charm.

**Paper Reports on Flourishing Technology Market**  
*HK290919 Beijing RENMIN RIBAO in Chinese*  
23 Feb 88 p 1

[Report by Wang Yougong (3769 0645 1872): "China's Technology Market Is Flourishing"]

[Text] With the deepening of reform of the science and technology management system and the economic structure, China's technology market expanded in 1987 on the basis of sustained development over the past few years. According to statistics provided by 29 provinces, municipalities, and autonomous regions, over 130,000 contracts with a value of 3.35 billion yuan were signed for technology transfers in China last year. The contracts totaled 51.13 percent more than 1986, while their total value increased by 62.24 percent over the same year. This was an unprecedented increase.

Since the promulgation of the CPC Central Committee's decision on reform of the science and technology management system in 1985, China's technology market has grown from its initial stage into an organized, large scale, and commercialized market. At present, as an important component part of the unified socialist commodity market, the technology market has also played the role of a bridge linking the economy with science and technology, and scientific achievements with material production. It has been discovered that in each of 10 provinces and municipalities — namely Liaoning, Sichuan, Shanghai, Beijing, Shandong, Tianjin, Ningxia, Hubei, Shaanxi and Heilongjiang — the amount of technology transfers in 1987 exceeded 100 million yuan. Liaoning Province totaled 550 million yuan and Sichuan Province 490 million yuan. Transaction volume in Ningxia, which is technologically weak, reached 160 million yuan.



In 1987, the characteristics of China's technology market development were:

1. Organs and enterprises engaged in research and development projects were the main suppliers of technological commodities. According to an analysis of transaction volume in the first half of 1987, technological commodities provided by research and development organs accounted for 38 percent, which was the largest proportion. Various kinds of enterprises also became important sources of technology transfers on the technology market. Their functions in this regard have been developing very rapidly. Practice has shown that technological items transferred by enterprises are, generally speaking, more mature and more applicable. Better economic result can be obtained by applying their technological items. Judging from development trends greater potential can be tapped in this regard. However, last year technical achievements transferred by universities and colleges only accounted for 4.4 percent of the total. Since universities and colleges are strong in scientific research, they should have made greater contribution to the popularization and application of scientific and technological achievements, and technology market development.

2. Technological achievements transferred by the technology market were mainly used for promoting industrial and technological progress. In the technological contracts signed during the first half of 1987, those aimed at promoting industrial and technological progress accounted for more than 69 percent. According to the whole-year statistics provided by the Tianjin technology market, technical contracts aimed at promoting industrial and technological progress accounted for 80 percent of the total. These facts demonstrate that technological commodities provided by China's technology market have been more applicable than previously in terms of quality and completeness of the production network.

3. Enterprises have become the main purchasers in China's technology market. Of the total technology market transaction volume during the first half of 1987, the amount of technological items bought by various kinds of enterprises accounted for 42 percent. Of the total transaction volume of various enterprises, the amount of technological items bought by large and medium enterprises accounted for 53 percent. This was the first time that the transaction volume of large and medium enterprises with regard to technology transfers exceeded that of small enterprises. This shows that with the deepening of economic structural reform, large and medium enterprises have become more enthusiastic and have greater demand for technological achievements.

People hope that more and more large and medium enterprises will actively enter the technology market, and that they will become main buyers and sellers.

**Paper Supports Return of Brokers to Economy**  
*HK290130 Beijing CHINA DAILY in English*  
29 Feb 88 p 2

[By a staff reporter]

[Text] An old style of business is returning to the streets of Shanghai after an absence of 30 years or more.

Taicang Road, full of banners and notices, is one of the city's many street exchanges where brokers are now active acting as middlemen for numerous business transactions.

After disappearing for more than 30 years, brokers have recently reappeared in China but in a new guise. The new-style brokers, with their knowledge and information about the economy, finance and the labour market have an increasing influence on the new economic system, in which the State regulates the market which in turn guides enterprises. They are bringing fresh blood into the developing commodity economy.

In the past, brokers, or go-betweens, were looked down on. And at the founding of the People's Republic of China in 1949, the trade was eliminated as a symbol of capitalism.

However, the emerging commodity economy has again made brokering possible and necessary and large numbers of brokers in different trades, official or not, are shuttling between producers and buyers.

The first Brokers' Service Centre has just opened in Guangzhou, and 156 people have been certified to engage in the business. In the Liaoning provincial capital, Shenyang, alone, the number of brokers has increased to 1,300.

The Beijing-based CHINA COMMERCIAL NEWS said this month it was time to legitimize brokers' rights and obligations.

Under present economic conditions, it said, contradictions between supply and demand have become more obvious and more complicated because of the limited number of State-run channels of circulation.

There is an urgent need to diversify circulation, the newspaper argued. Brokers, product of the development of productive forces, are separate from the commodity-management system and are specialists in finding buyers, markets and stable sources of materials, the paper said.

Now found in commerce, culture, publishing, entertainment and sports, brokers form a bridge between consumers and producers because of their role in collecting, communicating and utilizing economic and financial information as well as in arranging sales.

But it is not enough to give brokers a legitimate position, better management of brokers also is badly needed, the paper concluded.

**Statistics Bureau Releases Economic Communique**  
*HK010421 Beijing RENMIN RIBAO in Chinese*  
24 Feb 88 p 1

[Report by Zhang Guorong (1728 0948 2837) and Cao Zhaoqin(2580 3564 3830): "State Statistics Bureau Releases Communique on 1987 National Economic and Social Development Statistics"]

[Text] Beijing, 23 Feb (RENMIN RIBAO)—The State Statistics Bureau today held a news briefing to officially release the "PRC Communique on 1987 National Economic and Social Development Statistics." Last year witnessed continued and steady development of production in China, where reform and opening up were under way. The country's GNP exceeded 1,000 billion yuan for the first time, totaling 1,092 billion yuan or an increase of 9.4 percent over the previous year. The country's national income totaled 915.3 billion yuan, an increase of 9.3 percent over the previous year. And China's overall economic strength has considerably increased, although the social aggregate demand was still higher than the social aggregate supply, some commodities, especially major non-staple foodstuffs, were in short supply, and commodity prices rose by a pretty wide margin.

The following are the main features of the good situation in China's economic development:

First, the growth in the social aggregate supply was fairly rapid. Industrial output increased in a balanced and coordinated manner, and both light and heavy industries became more proportional and rationally structured. Last year's gross industrial output value totaled 1,378 billion yuan, an increase of 16.5 percent over the previous year. In particular, the power industry and industry in support of agriculture, both of which were formerly weak links, have markedly developed.

Agricultural production increased. Last year's gross agricultural output value totaled 444.7 billion yuan, an increase of 4.7 percent over the previous year. At the same time, the commodity economy developed rapidly in rural areas—nonagricultural output value amounted to 459.4 billion yuan, exceeding the gross agricultural output value for the first time.

The second feature of China's economic development last year was that economic returns were greater. The state-owned industrial enterprises operating with state budgets delivered 9.9 percent more profit and taxes to the state than in 1986; all-personnel labor productivity increased 7.6 percent; and the turnover period for working capital was 3.7 days shorter. Meanwhile, the quota for production costs was exceeded, and the deficits of

those enterprises suffering losses increased by 4.6 percent. Profits realized by state-operated commercial enterprises and supply and marketing cooperatives increased by 6.4 percent, and the turnover period for working capital was 17 days shorter.

Another feature of last year's economic development was that the domestic market was brisk but was faced with shortages of goods. The total volume of retail sales increased by 17.6 percent over the previous year. The net growth was 9.6 percent with the rise in prices taken into account. The sales volumes of all consumer goods increased. Due to high purchase power, there was a relative shortage of some non-staple foodstuffs and some industrial products for daily use. Some large- and medium-sized cities have resumed rationing for pork and sugar. But rationing is merely a measure to guarantee the supply of a certain amount of commodities at low prices. Non-staple foodstuffs are still available at negotiated and market prices everywhere.

Foreign economic relations and trade continued to develop. The balance of international payments was considerably improved. The country's foreign trade deficit decreased from \$12 billion in the previous year to \$3.7 billion in 1987. Improvement was also noted in the composition of imported and exported goods. For imported commodities, the proportion of primary products decreased, while that of finished industrial products increased. The import of mechanical and electronic products, especially high-grade consumer goods, dropped quite a lot.

While income gains slowed for urban and rural residents, most people consumed and saved more. Polls taken in urban and rural areas showed that last year each member of an urban family was able to spend 916 yuan on living necessities, or 1.7 percent more than in 1986 after adjustment for inflation. The net income of each peasant was 463 yuan, an adjusted increase of 5.3 percent. While the income increased, the average per-capita consumption level rose by 4.3 percent over the previous year. Toward the end of the year, urban and rural savings exceeded 300 billion yuan.

The spokesman for the State Statistics Bureau pointed out: China is still facing a few problems in economic development that must not be overlooked. The principal ones are that the social aggregate demand is greater than the social aggregate supply; the commodity prices on the market have increased excessively, and some commodities, especially major non-staple foodstuffs, are in short supply; and the real income of some urban residents has decreased. This year, the spokesman said, it is necessary to expedite the further, steady, and coordinated development of the national economy in accordance with the principle of "stabilizing the economy and deepening the reform" laid down by the CPC central authorities.



**Commentator Discusses Statistics Bureau Report**  
*HK010851 Beijing CHINA DAILY in English*  
1 Mar 88 p 4

[By CHINA DAILY Commentator: "Lessons of 1987"]

[Text] The State Statistical Bureau released figures on the nation's development efforts in 1987 last week, an item-by-item report showing both inspiring and worrisome signs—remarkable growth and rising prices.

The gross national product saw a 9.4 percent increase. Reaching more than 1,000 billion yuan for first time, it ranks China seventh in world. This increase was mainly reinforced by the strength of State-owned industry and industry launched in rural communities. The former had a year-long campaign to implement a system of contract production more independent of the State. The latter generated more money than agriculture and now employs one-fifth of the labour force in the rural areas.

It should be noted that the increased GNP was achieved after the government tightened money supply and credit for three successive years in reaction to "overheated" investment and spending in late 1984.

The effects of government economic readjustments were not immediately reflected in the 1985 year-end statistics; investment and expenditure continued to rise. In 1986, many newly-constructed factories and assembly lines had to depend on imported materials and parts to stay in operation, leading to a big foreign trade deficit (\$42.9 billion) and a low growth rate (7.8 percent for the GNP).

With more effective control of the money supply, the economy in 1987 was simultaneously able to produce a higher increase rate and a rough foreign trade balance. This made for some improvement over the period when urban economic reform had just begun, when China had no experience whatsoever in handling markets.

The 1987 results showed that urban enterprise reform had begun to work and could give rise to higher productivity if contract procedures were made to allow more competition and give more decision-making powers to factory management.

They also revealed that, with adequate restructuring of the foreign trade management system, industry could export more successfully.

For many urban households, however, 1987 was not one of the best years—with only a minimal increase in salaries, some households witnessed a drop in their living standards. Much of the problem stemmed from the short supply of farm products and subsequent price rises.

The government moved to curb inflation in the later months of 1987. More subsidies to farmers as well as State-owned retail enterprises helped cut down price rises at the end of the year.

The root cause of the problem, however, still remains the inability to handle supply and demand. The authorities have to turn encouraging grain production and hog-raising into long-term incentives to the rural people as well as reform the urban commercial system. Only when the market system becomes more prevalent and government management more responsive can a major improvement in the supply of farm produce be expected.

**Regulations Protect Consumer Rights, Interests**  
*OW011218 Beijing XINHUA in English 1045 GMT*  
1 Mar 88

[Text] Beijing, March 1 (XINHUA)—Chinese consumers will soon have regulations to protect their rights and interests in the marketplace.

The regulations, which are currently being prepared by the China Consumer's Association, deal with consumers' rights, the duty of enterprises to customers, day-to-day supervision of business practices, administrative management and procedures for lawsuits.

An official of the China Consumers Association told XINHUA that the state regulations will be the first of their kind, and are being drafted in line with the country's Seventh Five-Year Plan.

**Paper Discusses Consumption Pattern**  
*HK010610 Beijing GUANGMING RIBAO in Chinese*  
6 Feb 88 p 3

[Article by Zhang Fan (1728 0416) and Ma Zhanping (74560594 1627): "Establish a Consumption Pattern Which Accords With the National Conditions of our Country"]

[Text] Seriously studying and really establishing a consumption pattern which accords with the productive force development level at the initial stage of socialism of our country is of important significance to the rational readjustment of the industrial structure. It is also important to the effective utilization of natural resources, and gradual improvement of the people's living standards. In the long-term, it guarantees the steady development of the national economy.

**The Main Factors for Restricting the Development and Change of the Consumption Pattern [subhead]**

To put it briefly, the consumption pattern refers to the component and proportionate relationships of all different means of consumption (including labor service) consumed by the people.



The consumption pattern is the product of the contradiction between social supply and demand. Either supply or demand is continuously developing and changing. The consumption pattern is also unremittingly developing and changing. The development and change of the consumption pattern is restricted by the economic, social, and other factors. Therefore, seriously studying the restrictive role of all main factors toward the development and change of the consumption pattern is a prerequisite for designing and establishing the pattern which accords with the national conditions of our country.

First, the restrictive role of the stage of economic growth toward the consumption pattern. The productive force development level at a certain stage of economic growth is the most basic factor for restricting the development and change of the consumption pattern. That is to say, a certain productive force level determines a certain consumption level, hence restricting the change of the consumption pattern. The consumption level can only be enhanced and the consumption pattern changed on the foundation of production development and must accord with the stage of economic growth. Any consumption pattern which hinders or outstrips the productive force development level will surely affect the normal operation of the national economy.

Second, the restrictive role of the industrial structure toward the consumption pattern. Under the circumstances of a certain productive force level, it is the industrial structure that directly restricts the development and change of the consumption pattern. Such a restrictive role is expressed in: 1) The present industrial structure is restricting the scope, variety, and quantity of people's consumption; 2) Following production development and scientific and technological progress, new and developing departments will unremittingly emerge, the new industrial structure be formed, and new consumer goods enter the consumption scope, thus being possible to bring about the corresponding change of the consumption pattern.

Third, the restrictive role of the resource conditions toward the consumption pattern. Metabolism between man and nature is, to a very large extent, determined by natural resource conditions. Peoples' consumption patterns cannot be dissociated from the restrictions of the natural resource conditions. In addition, the change of the process by which people naturally obtain the means of subsistence will affect the natural world. If we do not take the objective resource conditions into consideration, and if we blindly exploit and utilize nature, not only resources will be exhausted but also the ecological system will lose its balance and threaten the subsistence of mankind.

Fourth, the influence of the customs and habits upon the consumption pattern. As all countries and nations in the world have experienced different social and economic conditions and different geological environment for a

long time, they therefore have had different consumption customs. Production development, the change of the general mood of society, and what the government advocates or restricts will all cause people's interest in consumption to shift and cause the consumer mentality to change. However, the traditional consumption customs and the situation of the people's quality of health formed over the years will also directly affect the formation of the consumption pattern.

Of course, while laying stress on the analysis of the restriction of and influence upon the development and change of the consumption pattern exerted by all economic, social, and natural factors, we do not deny the counteraction of consumption on production. However, we must admit that this counteraction of the consumption pattern has conditions. The dominant position of all factors which restrict and affect the development and change of the consumption pattern cannot be ignored in the course of forming the pattern. It is especially so when the present productive force level of our country is still relatively low, its commodity economy undeveloped, and the per capita consumption of the natural resources is very limited.

#### The Salient Contradictions Existing in the Current Consumption Pattern of Our Country [subhead]

The economic policies of reform, opening up, and invigoration implemented since the 3d plenary session of the 11th CPC Central Committee have vigorously promoted the development of social production. Accordingly, the consumption pattern of our people has also undergone a very big change. Nevertheless, we must see that some problems which merit attention still exist in the inhabitants' current consumption pattern of our country. They are prominently expressed in the fact that the inhabitants' consumption level has outstripped the development of production to a certain extent and a relatively big discrepancy exists between the rapid change of the consumption pattern and the possible increase in the supply of the means of consumption needed to satisfy this change. The main problems are: The consumption of beer, pork, and other foodstuffs, the production of which requires a lot of grain, is growing too fast. Their ratio to consumption is on the high side. The grain production level of our country cannot bear this now and for a relatively long time in the future; in clothing, woolen textiles are entering thousands upon thousands of households unexpectedly quickly. This is a good thing in terms of enhancing the people's clothing level. But, the consumption of such clothing likewise runs counter to our current national conditions. This is because our country has to spend huge amounts of foreign exchange every year importing wool for the production of woolen textiles made from worsted or woolen yarn to meet the domestic demand; the rapidly rising demand for household electrical appliances has not only outstripped our country's current production capacity but also worsened its electricity shortage.

The foregoing circumstances show that the problems now existing in the consumption pattern of our country are very conspicuous. These problems are caused by many things. Judging from the internal factors: 1) The tendency toward rapid economic growth over the past few years, together with the previous one-sided publicity of consumption, brings out people's long suppressed desire for consumption. When the enhancement of consumption range in the period of "repaying due bills" is the same as that in a period of normal economic development, irrational consumption will result. 2) An irrational management structure. And, as a result of too many government subsidies for rent, medical care, education, and social welfare, with purchasing power, the residents have overconcentrated on the consumption of nonstaple foodstuffs, including meat, poultry, eggs, and milk, and high-grade domestic electrical appliances. Blindly keeping up with the developed countries without considering our country's production and resource conditions is an important reason for the irrational consumption pattern.

#### A Consumption Pattern Which Accords with the National Conditions of Our Country Should Be Established [subhead]

Basically speaking, establishing a consumption pattern which accords with the national conditions of our country is to adhere to the principle of proceeding from realities in everything. In the long run, on the foundation of production development, our country's consumption pattern will continuously change from a relatively low level to a relatively high level. However, while designing and establishing the current consumption patterns, we must seriously adhere to the following several principles:

1. The consumption pattern must accord with the productive force development level at the initial stage of socialism of our country. At present, the productive forces of our country are still relatively backward and the per capita gross national product is at a very low level. We must, therefore, change the consumption pattern according to our capacity.

2. The consumption pattern must be beneficial to the rational exploitation and utilization of the resources. Our country has relatively abundant natural resources but its population is large and the per capita consumption of these resources is fairly limited. It is extremely important to pay attention to economizing on energy resources, fostering the strong points, and circumventing the weak points.

3. The consumption pattern must be based on our national conditions. The utilization of foreign resources to increase consumption must be restricted by the balance between financial revenue and expenditure. As our country's capacity for export to earn foreign exchange is very weak, it is impractical to change the consumption pattern by importing a large amount of consumer goods.

4. We must consider the uneven economic development of all places and the discrepancies between the urban and rural inhabitants' living standards. We should have a varied and multilevel consumption pattern.

5. The consumption pattern must be conducive to inheriting and fostering the excellent traditions of our nation. In the change of the consumption pattern of our country, while absorbing the rational factors of the other countries and nations, we must maintain our own excellent tradition of diligence, thrift, and practicing economy.

According to the above-mentioned principles and to realistic economic development, the inhabitants' consumption pattern must both accord with the current national conditions of our country and be economical and practical. The inhabitants' diet should focus on grain and other plant-based foodstuffs, while the ratio of animal-based foodstuffs should rise gradually. In clothing, people should use mainly cotton and chemical fiber textiles, gradually increase the use of linen-mixed textiles, and use a small amount of pure wool textiles and leather goods as supplement. People should focus on middle-grade domestic durable consumer goods. In particular, the increase in domestic electrical appliances should be moderate and they must be of an electricity-saving type. The use of domestic electrical appliances which are electricity guzzlers must be suitably restricted. In housing, more economical and practical apartments should be built while the commercialization of housing is speeded up. In transportation, urban residents should mainly rely on buses with cabs as a supplement while private cars should not be encouraged. In addition, cultural, recreational, and service consumption which is useful to the people's physical and mental health should be vigorously expanded to increase their ratio to consumption.

To establish the consumption pattern which accords with the national conditions of our country, government departments at all levels, particularly production and planning departments, must make efforts in two aspects: Vigorously developing production and correctly guiding inhabitants' consumption.

First, it is necessary to strive to develop production and to vigorously readjust the industrial structure. With the rational consumption pattern as a starting point, we must make arrangements for the scale, speed, and proportion of the development of the national economy, reduce the production of the products in ample supply, and increase our capacity for the supply of the products in short supply so that the structures for the production of the means of consumption and production, and the rational consumption pattern can accord with one another.

Second, it is essential to adopt practical measures to correctly guide inhabitants' consumption. As our country has a huge population and a weak economic foundation, it is impossible to improve living standards rapidly

at the initial stage of socialism. At the same time, according to the specific national conditions of our country, we must formulate a set of rational, stable, and relatively systematic plans for reform: Making full use of the restrictive and regulative role of economic levers, including prices and taxes; adopting suitable import policies; linking reform for consumption with structural reform; and strict price control.

**Upgrading of Industrial Enterprises Urged**  
*OW280241 Beijing XINHUA Domestic Service*  
*in Chinese 1235 GMT 26 Feb 88*

[By reporter Xu Yaozhong]

[Text] Beijing, 26 Feb (XINHUA)—A meeting of departments under the State Council on strengthening enterprise management was held today. It was noted that 1988 is a crucial year for ensuring success in upgrading industrial enterprises. All localities and departments were urged to earnestly revise the requirements for upgrading enterprises and be prepared to do a good job in reviewing reports submitted by state enterprises this year.

The meeting made out a schedule for upgrading enterprises this year. During the first quarter, the primary concern is to review and revise the requirements for upgrading enterprises; during the second quarter, efforts will be concentrated on reviewing reports submitted by second-class state enterprises; during the third quarter, a few industrial enterprises will be selected as pilot units to be reviewed for their qualification as first-class state

enterprises, while industries with the necessary conditions should begin to work out the requirements for special-class state enterprises; during the fourth quarter, the major concern is to sum up and exchange experiences and make plans for the work in the next stage.

The meeting drew attention to three points in upgrading enterprises: 1) Earnestly review and revise the requirements for state enterprises. Success in this work is an important guarantee for the smooth upgrading of enterprises. All departments should strive to raise the management level of all industries, and should firmly maintain high standards when conducting reviews. 2) Be well prepared to review reports submitted by state enterprises. Reports submitted by second-class state enterprises in all industries will be reviewed this year. All departments and localities should exercise more effective leadership, carry out this work in a planned manner step by step, and avoid stressing quantity to the neglect of quality or rushing headlong into mass action. They should be strict in reviewing reports submitted by enterprises and in giving approval. 3) Upgrade enterprises while perfecting the contracted managerial responsibility system and popularizing the full-load work method. By upgrading the enterprises, we should be able to guide them in improving their management and quality, and lay solid groundwork for successful handling of matters subsidiary to the contracted managerial responsibility system and for perfecting, intensifying, and expanding this system.

Yuan Baohua and Zhang Yanning, responsible persons of the State Economic Commission and the National Leading Group for Strengthening Enterprise Management, spoke at the meeting.



### East Region

#### **Jiangxi Businessman Sentenced to Life for Fraud** *OW010217 Beijing XINHUA in English 1625 GMT 29 Feb 88*

[Text] Nanchang, February 29 (XINHUA)—Private businessman Zhang Jinbao of this Jiangxi provincial capital has been sentenced to life imprisonment for fraudulently purchasing cigarettes and evading taxes, XINHUA learned here today.

The ruling was made recently by the Nanchang Intermediate People's Court.

Zhang, known as the local "cigarette baron", opened a fake bank account and fraudulently utilized other accounts to purchase cigarettes worth some 3 million yuan.

He resold the cigarettes in his private grocery store and a rural store he had contracted to run, evading more than 96,000 yuan in taxes.

#### **Shandong Holds Economic Cooperation Conference** *SK011141 Jinan Shandong Provincial Service in Mandarin 2300 GMT 26 Feb 88*

[Text] At the provincial economic cooperation work conference on 26 February, provincial Vice Governor Zhao Zhihao set forth five requirements for serving the 1988 economic cooperation work.

Zhao Zhihao said: First, we should develop the export-oriented economy. In particular, coastal areas should make greater efforts to organize enterprise groups, focusing on developing the export-oriented economy and serving town and township enterprises capable of creating foreign exchange through exports.

Second, we should rely on scientific and technological forces to rejuvenate Shandong. Economic coordination departments should enthusiastically develop associations that are jointly organized by scientific research units and production units in order to turn increasingly more scientific research findings into productive forces and to provide production units, particularly, the mountainous and rural areas, with technologies and information.

Third, we should develop town and township enterprises and coordinate urban and rural economies. In particular, county- and district-level units should regard this work as a task of primary importance.

Fourth, we should promote cooperation between large and medium-sized enterprises and town and township enterprises, organize and set up enterprise associations and enterprise groups, and help large and medium-sized enterprises expand their scale of production and accelerate the upgrading and updating of their products.

Fifth, we should intensify the functions of cities and bring into play the functions of key cities. This year, we should regard the enhancement of economic cooperation between the six cities along the Jiaozhouwan-Jinan railway line as a key link in establishing the economic development zone in Shandong Peninsula in order to promote the development of inland areas and the countryside.

The provincial economic cooperation work conference also defined seven work priorities for conducting lateral economic cooperation this year.

### Central-South Region

#### **Hainan To Simplify Entry Formalities** *HK010915 Hong Kong WEN WEI PO in Chinese 1 Mar 88 p 1*

["Special dispatch" from Beijing: "Hainan To Simplify Entry Formalities"]

[Text] Hainan Island of Guangdong Province, which will soon be upgraded to a province, will implement a system under which the residents of Hong Kong, Macao, and Taiwan and all foreigners will be allowed to stay on the island for half a month without an entry visa.

This is one of the special measures to be adopted by Hainan Island. Thus, Hainan Island will soon become the first place in China in which entry visas are not needed.

The above information was disclosed by a relevant person of the Hainan Administrative District CPC Committee. He said: "Foreigners with passports will be permitted to stay on the island for up to 15 days." He also disclosed: "Businessmen who want to visit factories and enterprises on the island will be permitted to live on the island for half a year, or even a year, if they apply."

#### **Hunan Meeting Stresses Spring Farming Policies** *HK010223 Changsha Hunan Provincial Service in Mandarin 0100 GMT 1 Mar 88*

[Excerpts] The Hunan provincial people's government held a telephone conference yesterday evening. The conference called on the people to urgently mobilize to fight a successful battle in spring farming. Governor Xiong Qingquan stressed that, to mobilize the masses, it is first necessary to mobilize the cadres. The cadres at all levels must do a good job in propaganda, organization, and mobilization work for spring farming. [passage omitted]

Vice Governor Chen Bangzhu presided at the meeting. Vice Governor Zhuo Kangning made an important speech. He said: This year, Hunan's grain output must exceed 53 billion jin and put an end to the 4 successive years of stagnation. Cotton production must reach 2 million dan. We must also achieve relatively great development in animal husbandry,

aquatic products, and industrial crops. To achieve this, we must stabilize the household contract responsibility system with payment linked to output, and develop courtyard economy and village-operated economy. This is known as stabilizing one thing and developing two. We must clearly proclaim to the peasants that land contracts drawn up when formulating the overall contract system, and the contracts readjusted in recent years, will remain unchanged. We must encourage the peasants to increase investment in land.

Vice Governor Zhuo also announced that the grain contract purchase quota and the policy of linking the contracts to three things will be left unchanged for 3 years beginning this year. He called on all localities to ensure that the three things linked to grain contracts—fertilizer, diesel fuel, and prepayments—are made good, so as to gain the people's trust. The peasants can market their grain freely after fulfilling state contracts. We should also insist on freedom in purchase and sales of agricultural and sideline products on which restrictions have been lifted. No department is permitted to erect obstacles or purchase these items at restricted prices.

The season is pressing now. Leaders at all levels, departments concerned, and the peasants must go into action rapidly to do a thoroughly good job in preparing for spring farming. [passage omitted]

Governor Xiong Qingquan stressed three points in a summation speech:

1. It is essential to rapidly mobilize the cadres to go to the frontline of production. He demanded that 100,000 cadres at and above township level be directly sent to the fields to do practical things for the masses.
2. It is necessary to whip up an upsurge of manure collection, to collect large amounts of domestic manure.
3. We must immediately organize a provincewide inspection of preparations for spring farming. [passage omitted]

### Southwest Region

**Sichuan's Yang Rudai Relays Central Document**  
*HK010207 Chengdu Sichuan Provincial Service*  
*in Mandarin 0100 GMT 1 Mar 88*

[Text] Sichuan Provincial CPC Committee Secretary Yang Rudai went to Shuangliu County yesterday to relay the spirit of a central document to some 100 district and township cadres attending a county party committee work meeting.

Comrade Yang Rudai said: One of the key points of the central document is to further emancipate the mind and learn how to apply the law of value to develop commodity production. He said: We should deepen rural reforms,

increase investment in agriculture, perfect the rural two-level management responsibility system, and further improve pre-, mid-, and post-production services.

He stressed: Promoting the two-level management system and establishing cooperatives means putting on a sounder basis the household contract responsibility system with payment linked to output. It does not mean going back to the old ways. We should further improve service organizations so as to do more good things for the peasants.

On increasing agricultural investment, Comrade Rudai pointed out: We should not just rely on the state to increase investment, the localities should do so too. At the same time, we must rely on the policies to stimulate the peasants' initiative for increasing their investment in agriculture.

**8 Senior Xizang Lamas Take Ritual Examinations**  
*OW271337 Beijing XINHUA in English 1634 GMT*  
*26 Feb 88*

[Text] Lhasa, February 26 (XINHUA)—Eight senior lamas defended themselves in a debate this morning for the "geshe", the highest degree in lamaist scholarship.

The examination took place in the city square before an audience of 1,000 lamas and believers and was held in conjunction with the Grand Summons Ceremony under way in the Jokhang Temple nearby.

The eight candidates represented the monasteries of Sera, Zhebung and Gandain, the three largest in Tibet.

All have studied lamaism for three decades, a senior lama in charge of the debate said.

Sitting on a "cam-do", a platform for religious activities, the eight fielded queries from the audience about Lamaist philosophy.

By conventional practice, during the eight-day Grand Summons ceremony, each of the eight lamas striving for the "geshe" must put in a day defending himself in debate.

### North Region

**Beijing's Li Ximing Attends Soldiers Soiree**  
*SK010846 Beijing BEIJING RIBAO Chinese*  
*10 Feb 88 p 1*

[Text] On the evening of 9 February, the theater of the Beijing exhibition hall was brightly lit and filled with laughter. The municipal party committee and government jointly held a literary and art soiree here to entertain commanders and fighters of the PLA Beijing Garrison and the Beijing Armed Police Force.

Before the soiree began, municipal leaders went to the rostrum to meet cordially with all commanders and fighters and to extend Spring Festival greetings to them. Li Ximing, secretary of the municipal party committee, said: During the past year, the PLA Beijing Garrison and the Beijing Armed Police Force have made great contributions to all fields of work in the capital. The capital's work cannot be carried out without their help and support. He warmly praised the broad masses of commanders and fighters for their contributions to protecting the party Central Committee and the capital and for their efforts and achievements in improving themselves and building the socialist spiritual civilization. He said: This is the Year of the Dragon. There is an old Chinese saying that a scene of bustling activities will take place in the Year of the Dragon. We hope that you will make new contributions in the Year of the Dragon. Leaders of the Army and local authorities, including Li Jinmin, He Shangchun, Zhang Wenqi, Yuan Liben, An Lin, Li Guang, Lu Yucheng, and Guan Shixiong, watched the colorful literary and art programs together with the commanders and fighters.

In line with the arrangements made by the municipal party committee and government, on the morning of 10 February, municipal leading comrades will make a special trip to visit the honor guard of the PLA Beijing Garrison and the No 5 detachment and No 3 squadron of the Beijing Armed Police Force to meet with the grassroots commanders and fighters.

**Beijing Office To Promote Imported Technology**  
*OW291137 Beijing XINHUA in English 0658 GMT  
29 Feb 88*

[Text] Beijing, February 29 (XINHUA)—Beijing Municipal Government has set up a special office to deal with the assimilation of imported technology, ECONOMIC INFORMATION reported today.

The paper said that the municipal government has placed assimilation of imported technology as one of its most urgent tasks for this year.

It intends to provide more funds and favorable policies for the purpose and is setting up a special fund to handle risky projects, the paper said adding that the city branch of the Industrial and Commercial Bank of China will arrange loans of 50 million yuan (over 13 million U.S. dollars) for assimilating imported technology this year.

According to the newspaper, the Chinese capital has imported about 1,400 items of advanced technology in recent years but only 10 percent have been assimilated.

**Beijing Suburban Doctors, Nurses To Receive Raises**  
*OW291131 Beijing XINHUA in English 0656 GMT  
29 Feb 88*

[Text] Beijing, February 29 (XINHUA)—Doctors and nurses who work in the outlying districts of Beijing are to get pay hikes.

The Beijing Municipal Government decided on the move as a way to induce more medical people to work in poor areas, Vice-Mayor He Luli said Saturday at a public hygiene meeting.

The vice-mayor also announced the government has decided to increase the health budget set out in the seventh five-year plan (1986-1990) by an additional two million yuan (540,000 U.S. dollars) a year.

In addition, two million yuan more will be earmarked every year for health education, she said.

### Northeast Region

**Heilongjiang's Sun Attends Leadership Symposium**  
*SK280500 Harbin Heilongjiang Provincial Service  
in Mandarin 1000 GMT 27 Feb 88*

[Excerpt] A symposium on exercising leadership scientifically to rejuvenate Heilongjiang and the second annual meeting of the provincial society of leadership science were held in Harbin on 27 February.

The symposium was an experience-exchange meeting. Participants studied deeply the theory on leadership science, discussed conscientiously the new situation and new problems that crop up over the course of reform and opening to the outside world, summarized and exchanged new experiences in leadership work, and suggested ways and means to rejuvenate Heilongjiang.

Attending the symposium were (Qian Su), member of the central leading group for education of cadres and president of China Research Institute of Management Science; Sun Weiben, secretary of the provincial party committee; Wang Haiyan, deputy secretary of the provincial party committee; Zhang Xiangling, vice chairman of the provincial Advisory Commission; specialists and scholars who are studying leadership science in the province; leading comrades of some prefectures, cities, counties, and townships; and leading comrades, specialists and scholars from the Central Party School, HONGQI ZAZHI Agency, Beijing, Shanghai, Liaoning, Jilin, Tianjin, Shanxi, and Jiangsu.

In line with the actual conditions of the province, Sun Weiben, secretary of the province, asked the specialists and scholars some questions. [passage omitted]

**Liaoning Readjusts Administrative Designations**  
*SK280425 Shenyang Liaoning Provincial Service  
in Mandarin 1030 GMT 27 Feb 88*

[Text] To suit the demands of economic construction, the province readjusted administrative divisions in 1987. With the approval of the State Council, Jinxian County was abolished and Jinzhou Prefecture was established. With the approval of the provincial people's



government, 10 townships and 2 minority autonomous townships were abolished, and 7 towns and 3 minority autonomous towns were established.

As of 31 December 1987, the province's administrative divisions included 13 prefectural-level cities, 6 county-level cities, 34 counties, 5 autonomous counties, 55 districts, 374 towns, 58 minority autonomous towns, 690 townships, and 183 minority autonomous townships.

**Liaoning's Quan Attends Meeting on Opening Up**  
*SK011208 Shenyang Liaoning Provincial Service*  
*in Mandarin 1030 GMT 28 Feb 88*

[Text] A meeting of leaders of the provincial party committee and government to examine Dalian City's work of opening to the outside world was held this morning. At the meeting, Governor Li Changchun pointed out that Dalian City is a driving force in the opening of Liaodong Peninsula to the outside world and that it should take the lead in developing the province's export-oriented economy.

The meeting to examine Dalian City's work of opening to the outside world, which was cosponsored by the provincial party committee and government, opened in Dalian on 28 February. Quan Shuren, secretary of the provincial party committee; Dai Suli, chairman of the provincial Advisory Commission; Wang Guangzhong, chairman of the provincial People's Congress; Li Changchun, provincial governor; Zhu Jiazhen and Wen Shizhen, vice governors; Wang Jiyuan, advisor of the provincial government; Zheng Silin, assistant governor; and leaders of the relevant departments attended the meeting.

Participants in the meeting heard a report this morning by Dalian City Mayor Wei Fuhai on Dalian City's work of opening to the outside world. (Liu Taimin), deputy director of Dalian Economic and Technological Development Zone, introduced the situation of the Dalian ETDZ and its future plans.

Governor Li Changchun gave a speech at the meeting. He pointed out: The provincial party committee and government have attached great importance to Dalian City's opening to the outside world. Over the past few years, Dalian City has given first thought to opening to the outside world, done a great deal of work, and scored better achievements and made greater changes. The provincial party committee and government have called for efforts to speed up Dalian City's opening up and to further emancipate thinking and to make Dalian City play a leading role in developing the province's export-oriented economy.

**Shandong Secretary Attends 1988 Trade Symposium**  
*SK280418 Jinan Shandong Provincial Service*  
*in Mandarin 2300 GMT 27 Feb 88*

[Excerpts] The 1988 Shandong Provincial foreign economic and trade symposium opened ceremoniously at the provincial external trade center of Qingdao on the morning of 27 February. [passage omitted]

At 0900, (Li Yu), president of the Shandong branch of the China Council for Promotion of International Trade, declared the opening of the symposium. [Begin recording] [(Li Yu)] The 1988 Shandong Provincial foreign economic and trade symposium is now open. We invite Ma Shizhong, vice governor of the Shandong provincial government, to deliver an opening speech. [passage omitted] We invite Comrade Jiang Chunyun, governor of the Shandong provincial people's government, to cut the ribbon for the opening of the symposium. [Applause] [End recording]

After the opening ceremony concluded, Liang Buting, secretary of the provincial party committee, accompanied foreign friends and domestic guests to watch the exhibition and hold trade talks.

More than 10,000 goods from more than 1,000 categories were displayed at the symposium. Of this, 50 goods manufactured by foreign-funded enterprises and 50 goods are technological items for export. [passage omitted]

The symposium will conclude on 7 March.

**Northwest Region**

**Gansu Issues Urgent Instructions on Farming**  
*HK270557 Lanzhou Gansu Provincial Service*  
*in Mandarin 2300 GMT 26 Feb 88*

[Excerpts] The provincial government issued an urgent circular on 26 February on getting a good grasp of spring farming. The circular said that, as the season progresses, spring farming is about to get underway throughout the province. Generally speaking, the situation in this respect is good. But, it is also necessary to realize that the province has suffered continuous drought over wide areas for a long time, and the effects have been more serious than last year. Contradictions between the supply and demand of important production materials such as chemical fertilizer, plastic sheeting, and diesel fuel remain very acute. These cause great difficulties for spring farming. In order to fulfill this year's agricultural production plans, the provincial government demands that the prefectural commissioners' offices, the people's governments of cities, autonomous prefectures, counties and districts, and the provincial units concerned do a good job in the following tasks:

1. Firmly establish the idea of fighting drought for a long time.
2. Do everything possible to sow crops adequately and well. [passage omitted] Areas in central and southern Gansu should seriously popularize experiences of recouping summer losses in autumn, and further readjust their summer grain crop pattern by reducing the grain area in light of local conditions and expanding the multiple-cropping area. Eastern Gansu areas where the drought is severe should be prepared for sowing various kinds of crops.

3. Firm up the various measures for fighting drought and increasing production.

4. Do a good job in sowing grass for pasture and in spring afforestation. Prevention of forest fires must be stepped up.

5. Make proper arrangements for the livelihood of people in disaster areas.

6. Strengthen leadership over spring farming. All sectors and trades must cooperate closely to provide support. [passage omitted]

The circular said in conclusion that welcome snow fell recently in the province. This is beneficial for spring farming. All localities must seize this favorable condition to further whip up an upsurge of fighting drought and carrying out spring farming, to lay the foundation for reaping a bumper harvest.

**Gansu To Improve Grain Contract System**  
*HK010329 Lanzhou Gansu Provincial Service*  
*in Mandarin 0000 GMT 1 Mar 88*

[Text] Our station reporter (Wang Wenke) has learned from the provincial government departments concerned that Gansu will adopt a series of measures to further perfect the grain contract purchase system this year. These measures include the institution of contracts for grain output, procurement, sales, shipment, and financial matters, and the appropriate raising of the grain purchase price. The provincial government has decided that, from 1 April, the proportional purchase price for grade-3 wheat will be raised from 44.28 yuan to 47.20 yuan per 100 kg. Corresponding increases in the proportional prices will be instituted for maize, soybeans, and the eight other crops purchased by contract.

The province will continue to practice the policy of linking grain contracts to three things. It will appropriately raise the level of chemical fertilizer linked to the contracts. Apart from the 6 kg of chemical fertilizer allocated by the state, a further 4 kg will be provided by the province for every 100 kg of marketable grain delivered. This makes a total of 10 kg of low-priced standard chemical fertilizer.

The township governments will guarantee the issue of prepayments for the contracts, and these will be paid out in spring and recovered during the summer and autumn

harvest seasons. Township and town cadres who do a good job in procurement of grain and oil can receive bonuses from the grain departments.

**Shaanxi Governor Apologizes for Interference**  
*OW010826 Beijing XINHUA in English 0741 GMT*  
*1 Mar 88*

[Text] Xian, March 1 (XINHUA)—Governor of Shaanxi Province Hou Zongbin has apologized to the chairman of the Yanchang County People's Congress for interference by the provincial government after a decision made by the congress.

A month or so ago, the provincial government issued a notice demanding immediate restoration to his post of the director of the Yangchang Statistics Bureau, who had been removed from office by the county People's Congress for alleged fraud involvement.

Subsequent investigations bore out the charges against the director.

During the sixth session of the provincial People's Congress, convened in mid-February, the governor received a letter from the Yanchang People's Congress protesting that, as its decision had been based on due legal procedure, the provincial government had no right to interfere.

After reading the letter and doing some investigation, the governor admitted that the provincial government's interference was inappropriate since the matter falls under the jurisdiction of the county People's Congress.

Then, he called on the chairman of Yanchang People's Congress, who was also attending the provincial People's Congress session, and made his self-criticism.

The incident caused strong repercussions among Shaanxi residents. While shocked by the ignorance of provincial leaders about legal procedure, according to local reports, they have expressed appreciation of the governor's action to right the wrong.

Speaking at a provincial meeting here, Governor Hou said that education in knowledge of the law and the ongoing anti-bureaucratism campaign should start among leading government organs.

"Provincial leaders such as ourselves should take the lead in this respect," he pointed out.



**Text of President Li's 22 Feb News Conference**  
*OW280905 Taipei CHUNG YANG JIH PAO in Chinese*  
23 Feb 88 p 3

[“Full text” of questions and answers at President Li's 22 February news conference in Taipei for Chinese and foreign reporters ]

[Text] [President Li] Ladies and gentlemen of the mass media:

Good morning! First of all, I would like to thank all of you for attending today's news conference. I extend an especially warm welcome on behalf of the Government of the Republic of China [ROC] to those of you who have traveled a long distance from other countries to be at the news conference. I would also like to take this opportunity to wish each of you a belated happy Chinese New Year and all the best in the year ahead.

President Chiang Ching-kuo passed away of illness and exhaustion last 13 January. Because all of our compatriots, while deeply grieving President Chiang's death, have been able to transform their sorrow into strength, to continue steadfastly ahead in their respective posts, and to work together with a united purpose, the transfer of power proceeded very smoothly, and all activities and functions of the government and society have continued as usual. The facts have demonstrated the strength and stability of the foundation of our constitutional democracy as well as the political maturity of the people. We feel great pride at the performance of all our people, military and civilian alike.

For the past decade or so, I have been at the side of the late President Chiang Ching-kuo, and have a considerable understanding of his aspirations, his ideals, and his painstaking efforts. He again exhorted us in his will to put our full efforts into implementing constitutional democracy, and accomplish the great task of reuniting China under the three principles of the people. This is the goal toward which we must continue to struggle; and I personally, together with all our countrymen, will do my utmost to work toward this goal.

#### **Our Country Has a Noble Political Ideal [subhead]**

Ever since our founding father, Dr Sun Yat-sen, led the revolution, the ROC has had a noble ideal, namely, to establish a free, egalitarian, democratic China in which everyone has an equal share of wealth. This is a great but arduous task. However, Dr Sun Yat-sen has provided us with the blueprint, and the wise leadership of former Presidents Chiang Kai-shek and Chiang Ching-kuo has laid sound political, economic, and social foundations for us to accomplish this task. From now on, as long as we unite as one and put our ideas solidly into action, we are confident in our ability to overcome difficulties and reach our goal.

However, to accomplish our final goal, we must adapt our strategy and methods to the needs of the current situation and the people to achieve optimal results in our efforts. Especially in an open and democratic society, it is extremely important for the government to maintain communication with its people. This is why it is a great pleasure to have this opportunity to talk with you face to face today. Please feel free to bring up any issue within the limits of my office as stipulated by our Constitution, and I welcome suggestions for improvement. The questioning may begin.

#### **Political, Economic Measures Should Proceed From National Security [subhead]**

1. Question: How are you, Mr President! I am Ting Yuan-chao from CNA. I would like to ask the following question: What will be the pace you expect the government under your leadership to carry out political and economic development and breakthroughs? I would especially like to know your views on how political democratization should proceed while taking the needs of national security into account.

Answer: Thank you, Mr Ting. As far as this question is concerned, I would like to explain the measures we have taken in the past month and 8 days since President Chiang Ching-kuo passed away 13 January. First, on the very day, I was sworn into office. As soon as I assumed office, I issued an emergency presidential order at 2030 of that day. At the same time, we canceled all leaves of those serving in the three branches of the Armed Forces to ensure that everyone was at his post to safeguard the security of the country. These two examples show that I proceed from national security in handling all questions.

During the ensuing days, as you have read from newspapers, I called on senior members of the government and the Kuomintang as well as prominent figures of society, bearing in mind the necessity of stabilizing popular feeling and assuaging the people's anxiety and grief in the wake of the sudden passing of President Chiang. Second, after I was chosen acting chairman of the Kuomintang, a Central Standing Committee meeting put forth a program for replenishing the central parliamentary organs, which shows that the government and the Kuomintang have no intention of stopping the reform toward constitutional democracy. At the Central Standing Committee meeting in the following week, the question of institutionalizing local autonomy was brought up. In my capacity as president and acting party chairman, I also proposed commutation of prison sentences as recognition and expression of the love that the late President Chiang Ching-kuo had for his people and his country. All these measures have been made public. Judging from them, you may as well understand that all economic and political measures taken have proceeded from national security, and that all measures that should be taken are now being implemented.



Finally, we recently invited Mr Chang Chi-cheng, governor of the Central Bank of China, to come to the Presidential Office to discuss the disposition of our national foreign exchange reserves. All these are aimed at stabilizing the popular feeling and indicate a fresh beginning for our future political and economic programs. They will be implemented, as I have just said, as deemed necessary by circumstances and the people's needs.

**In Our Foreign Policy, Main Emphasis Is Placed on National Rights and Interests [subhead]**

2. Question (from Southerland of THE WASHINGTON POST): There are three questions with regard to the relations between the Republic of China and the mainland: A: Do you plan to allow people in Taiwan who do not have relatives on the mainland to go to the mainland? B: Do you agree with further exchanges in the fields of culture and sports with the mainland? C: Will you agree to participate in the Asian Development Bank [ADB] under the name "Taipei, China"?

Answer: Regarding the first question, we have, right now, allowed the people to visit their relatives on the mainland for purely humanitarian reasons. The government plans, in 6 months' time, to review this program to determine whether it is beneficial for our country. I think we will review this program at that time. Therefore, we may have to wait for some time to carefully study this issue involving those who have no relatives on the mainland as you have just mentioned. At the same time, the question of the exchanges in the fields of culture and sports will also be examined. However, I have to emphasize that regardless of what type of contact is maintained on a person-to-person basis, the government will not be involved in any way. There will be no change in our policy of "no contact, no negotiations, and no compromise."

In terms of your last question of whether Taiwan will agree to resume participation in the ADB under the name of "Taipei, China," I think there has been some misunderstanding on this point. Our decision of nonparticipation was not made specifically for reasons of the name. Naturally, the name is also an issue. However, it is the Chinese Communists who insist that the ADB change our designation. We cannot help but oppose this suggestion. In the end, the most important question is: If we accept the name change, and participate in its activities under that name, would the national interests or rights of the ROC be harmed in any way? This is the key point: Our foreign policy rests on the fundamental question of whether our national interests are being harmed. The reason we have not participated in the ADB in the past 2 years is because it would be a loss to our interests and rights. So when the next meeting of the ADB takes place at the end of April, we will consider this issue seriously. If this issue can be solved, and if our national rights and interests can be protected, we will participate in this front-line international organization.

**Implement and Pursue the Policy for Democracy and Freedom [subhead]**

3. Question (from Li Hui-hui, reporter of the TTV [Taiwan Television Enterprise]: The confrontation between the two sides of the Taiwan Straits in the past 40 years has entered a new stage of development after the government allowed the people to visit their relatives on the mainland. However, the long-standing basic problem with far-reaching influence between reunification and independence still needs to be clarified. I would like to ask Mr. President a question: As a native-born Taiwanese, how do you feel about the mainland, and what is your attitude toward the future relations between the two sides of the Taiwan Straits?

Answer: This sentence is of great interest to the general public. It is completely wrong to say that I do not understand the mainland because I was neither born on the mainland nor have I ever been there. As for the mainland issue, I can say that I understand it even more clearly than the mainlanders. As I review the misery suffered by our country in the past 100 years from the Qing Dynasty to the present, I feel strong emotions in my heart. Perhaps few people would have such strong emotions as I about the future of our country and its questions in the past. This is why I am very concerned about the mainland issue. To me, whether I am a mainland or a Taiwanese is not a significant question. Sometimes, I speak more Taiwanese dialect; at other times, I speak more Mandarin. This is only because the occasions are different.

Regarding the mainland issue, we should understand clearly that there are two very important questions, that is, the "four upholdings" [SI GE JIAN CHI 0934 0020 1017 2170] that the Chinese Communists currently insist upon. The question of the "four upholdings" is, in itself, a very important one. If the Chinese Communists do not give up the "four upholdings," I think the reunification of Taiwan and the mainland in the future will be absolutely difficult. The free and democratic society under the Three Principles of the People, which is being upheld by the ROC, I think, is the most suitable society for the lifestyle of the Chinese people.

Now, the mainland has many problems. From the reports on mainland students in the United States thinking about Taiwan as broadcast during the past few nights by the "TTV" and the information on Taiwan's economic, political, and other developments in the past 4 decades, we can see that the most suitable political mode for the Chinese is neither socialism nor communism, but a free, democratic society, namely, the Three Principles of the People, and that is also the opinion I hold. If the ROC is developing faster, it can help the mainland make better and greater changes. Because of this, when some people say that they cannot imagine how long it would take to achieve "China's reunification by the Three Principles of the People" or that it would be very hard to do so, I do not agree with them. As long as we make rapid

progress here and our political reform is fast and down to earth, the mainland has to follow our direction and change its "four upholdings." For this reason, our late president, Mr Chiang Ching-kuo, said that the "one country, two systems" approach is not suited to China. One country can only have one system. What is that one system for one country? It is the free and democratic system, which I think is the goal pursued by all of us since the beginning of Chinese history. Thank you.

**China and Japan Will Both Benefit From Division of Work [subhead]**

4. Question: I am Iwano Hiroshi of the Japanese SANKEI SHIMBUN. I have heard that President Li is very familiar with Japan. In the future economic aspect, how will you explore markets in Japan with a view toward promoting the economic interests of the two countries? Thank you.

Answer: The question you have just raised is very important. The point is that there has been a rather great change in the emphasis of the world economy following the change in the international monetary order and the devaluation of the U.S. dollar. Because of the trade surplus with the United States, the ROC has to revise its economic and trade policies. Meanwhile, the ROC has a rather large trade deficit with Japan. With the devaluation of the U.S. dollar and under the new monetary system, the ROC must now make a significant change in its trade orientation in the world.

As for how to strengthen our trade and economic relations with Japan in the future, this matter should proceed by looking at the big picture. For this reason, I believe the adjustment of the economic relations between the ROC on Taiwan and Japan cannot be accomplished by merely attracting Japanese to come here to do business and make investment or letting many of those enterprises that are making investment here buy raw materials, machinery, or equipment from Japan as in the past. In my opinion, in Asia, the economic relations between Japan and the ROC on Taiwan were a horizontal division of work and cooperation in the past. Now, the relations should be changed to a vertical division of work for the interests of the two countries. In the future, the question of investment should not be limited to the methods of trade and investment between the two countries. Judging from Taiwan's present technological level, special conditions, and wage level, many spare parts that cannot be made in Japan at present must be developed on Taiwan. So there is the method of vertical division of work; that is, each shares part of the production process. To apply this method, I think, there are many adjustments to be made in the economic field between the ROC and Japan. Besides this, I wish to stress that further financial coordination and cooperation should be the orientation for developing Sino-Japanese economic relations in the future. From this viewpoint, Japan, Korea, and the ROC will have fairly

close relations as far as their economic roles are concerned. Comparing these regions with the United States, there are some 200 million people in the United States, while the three regions also have some 200 million people. The U.S. GNP is 10 percent of that of the world, while the three regions also account for more or less than 10 percent of the world GNP. With these two forces being the same, emphasis will shift gradually to a new area — the Western Pacific. This may bring about fairly close relations among the three regions. Thank you.

**The President Must Exercise His Powers in Accordance With Law [subhead]**

5. Question: I am Miao Chung-chien, a reporter from the CTV [China Television Service]. I would like to ask the president a question. The development of the political system in the country at present and the issue of either adopting the presidential system or the cabinet system have given rise to much controversy in society. In your opinion, should our nation follow the presidential system or the cabinet system? Which one is better? Thank you.

Answer: Thank you, Mr Miao. This question is an academic one. Experts and scholars like to divide all questions into different categories and call each question a "concept", and then divide the concepts into various categories so that it will be easier for them to teach the students. Regarding this question, I think it involves the Constitution and the Temporary Provisions Effective During the Period of Communist Rebellion. These two are our fundamental laws — the fundamental laws of the state in which the president's authority for exercising or discharging his duties is specified. The authority of the premier of the Executive Yuan is also stipulated in such laws. The aforementioned authority of the president stipulated in the Constitution and the Temporary Provisions are mentioned in approximately 10 articles. In fact, all of them involve administration. Therefore, they are closely related to the Executive Yuan. However, our Constitution has clearly stipulated that the Executive Yuan shall be the highest administrative organ of the state. The president has no executive power. This is an extremely important matter. For example, articles in which the authority of the president is mentioned, all of them, with the exception of 2, stipulate that the president do this "in accordance with law" and do that "in accordance with law." In exercising his powers, the president must do so in accordance with law. I mentioned this a short while ago.

For example, the Constitution has no provision on the emergency measures. There is no way that the president can take emergency measures without the Temporary Provisions. In handling state affairs in accordance with law, there is a division of work between the president and the premier. I believe: On this issue, the division of work is already quite clear and a system has been established during the period of late President Chiang Ching-kuo. Therefore, I think: Politics means to handle



the people just the way our founding father Dr Sun Yat-sen said. In what way can we handle the people? We must coordinate with each other. That means coordination, cooperation, and harmony. Therefore, right now, many experts and scholars talk about the presidential system and the cabinet system. These issues do not mean much to me. The most important question is the provisions of the Constitution. As I clearly mentioned in my introductory remarks, please feel free to bring up any issue within the limits of my office as stipulated by our Constitution. Today, I must be careful when I speak. I must not speak about anything that involves the authority of the Executive Yuan. If I speak about such authority, how can the premier carry out his duties? I cannot do so. Therefore, the demarcation line must be very clear so that the premier can perform his duties. Considering the matter in a concessive way, we have many policy decisions to make. The Chinese Kuomintang is the ruling party. Right now, I am acting chairman of the Chinese Kuomintang. I assume the powers of the Chinese Kuomintang chairman. As the acting chairman, I put forward various policies. Other people decide what to do after conducting negotiations. If it is necessary for the president to issue an order, the president will issue the order. However, it should be realized that the relations between the president and the five Yuan's are quite close.

On official matters, the president issues orders to the Executive Yuan, the Examination Yuan and the Judicial Yuan. They are "commands." However, in dealing with the Control Yuan and the Legislative Yuan, the president issues no orders, but seeks consultation. From this, I can see that things are handled in a proper manner. There should be no problems. The most important thing is how to implement our Constitution on a solid basis and ensure that the president acts within the limits of his office as stipulated by the Constitution. Everyone knows that the first thing I said in my vow is: I "abide by the Constitution." This is my most important duty as the president. Thank you.

**I Adhere to the Three No's Policy in Dealing With the Mainland [subhead]**

6. Question (Chistou from NEW YORK TIMES): Can you, as the president, agree to carry out direct trading with Mainland China, or will it be possible for you to make such a decision in the near future?

Answer: I cannot make such a decision under the present circumstances as long as we adhere to the "three no's" policy just mentioned. On the mainland, we know that the coastal areas, the special economic zones, and the Hainan Special Administrative District badly need the technologies and investments from Taiwan, the ROC for their own development. However, our government has not taken any measure to ask the people to do anything in this regard. I think there is nothing we can do regarding this issue.

**There Are Certainly Two Superb Guides Behind Him [subhead]**

7. Question: I am Lin Yiling, a reporter of CHUNG YANG JIH PAO. I wish to ask the president a question: Since you took office, you have had a series of visits, interviews, and meetings, all of which were carried out satisfactorily and appropriately. Therefore, people suspect that there is someone behind you to give you guidance. President Li, do you have a personal think tank? If you do, how will you expand it in the days to come? If you don't, do you intend to form one, composed of scholars, experts, and renowned public figures?

Answer: Thank you. To tell you the truth, since the late president passed away, I have paid respects to his spirit in front of his tablet every morning. During 17 years of government service, I have always followed the late president, Mr Chiang Ching-kuo, as I have already said. I have also said that I know his aspirations, ideals, and earnest intentions. In fact, I have done everything flawlessly according to schedule. As to whether there are superb persons to guide me, I can say I have two: One is my teacher Mr Ching-kuo. Secondly, when I get up every morning, I pray and then decide what I have to do on that day. Among oriental politicians, I am deeply concerned with the Bible. Put in a single sentence, in fact, I think I do not exist. I give up myself first and then listen to what the righteous and just God says. This is a matter of great importance. If there is any uneasiness in my heart, I try to solve it immediately. This is what I have to do every morning. From this, you can see I have no superb persons behind me. As a matter of fact, two invisible great men are guiding me. I have to thank them.

**Opinions Must Be Exchanged on the Question of Parliamentary Reform [subhead]**

8. Question: Mr President, how are you? I am Huang Hui-chen, a CHUNG GUO SHIH PAO reporter. My question is as follows: Parliamentary reform is the most important reform in our country's political democratization discussed at the present stage. It is also an unfulfilled will of Mr Ching-kuo. Now, the biggest obstacle to parliamentary reform has come from senior National Assembly delegates. Mr President, since you took office, you have enjoyed unanimous warm support from all people in the country. That is, you have full popular support. The senior delegates to the National Assembly have remained at their posts for 40 years, and now they have become an obstacle and have expressed objection to parliamentary reform. In your opinion, what method should be used to dissuade them from doing so? Do you have any method in mind to make them refrain from opposing parliamentary reform? Thank you.

Answer: Thank you, Mr Huang. On 3 February, the Central Executive Committee made public an adopted plan for strengthening central parliamentary bodies. One of the two most important things which the plan deals



with is the question concerning the number of additional parliamentary members to be elected. The other is the question concerning procedures for voluntary retirement of senior members. The procedures for voluntary retirement must be handled by the ministries and commissions concerned under the Executive Yuan after the president issues the order in accordance with the Temporary Provisions. However, the procedures for voluntary retirement state very clearly that in principle we affirm the contributions made by those elderly central parliamentary members to the country in past 40 years and more. This is a very important thing. The second question that we have put forward is that the retirement is voluntary, not at all compulsory. I know from newspaper reports that some people do not quite agree with these measures. However, I have learned from Secretary General Ho that the problem is not as serious as the newspaper stories or hearsay make out. I think that we need to promote understanding to make people know why the government wants to do this. Therefore, to take the first step, I will give a tea party on the occasion of my assumption of the chairmanship of the Committee for Research on Constitutional Government on 27 February, and I will meet and talk with all the elderly members of the National Assembly then. In fact, the retirement is not compulsory. We may say that the government plan for strengthening central parliamentary bodies is the most legitimate and reasonable plan formulated in accordance with the Constitution and its Temporary Provisions. I think that other proposals are nothing but slogans, having a very low feasibility. I am highly confident and I will explain this plan to all elderly members of the National Assembly and other central parliamentary bodies. Thank you.

**The Government Party Hopes To Meet the Challenge**  
[subhead]

9. Question: (By (Pai-kai-ju) of NEWSWEEK) The political reforms and democratization campaign in the ROC are praised throughout the world. However, the Chinese Kuomintang as a government party has a very profound influence on military affairs, education, and the government. The situation of the government party exercising overall leadership will not change even if the parliament is strengthened or completely reelected. Under such a situation, does the opposition have a chance of fair competition with the ruling party, the Kuomintang? Please comment, Mr President.

Answer: A question causing the most concern among people about the plan for strengthening the central parliamentary bodies is the question of representation, the question of representation by other parties than the Kuomintang. In the proposals put forward by the Kuomintang, this is also the question which we are most concerned about. The question of representation is the focal point of the plan for strengthening the central parliamentary bodies. I think that we should make this focal point understood to people.

The Kuomintang is a revolutionary democratic party with a long history and lofty cause and ideals. It has considerable resources and many talented people. The Kuomintang hopes to meet greater challenges, face the new circumstances, and compete with other political parties. In the forthcoming 13th national congress of the ruling party this year, we will discuss the central tasks and the problems of the party. The role of the Chinese Kuomintang in schools, education, armed forces, and other quarters, as you have just pointed out, is stipulated in the ROC Constitution. However, we should now try to make improvement step-by-step. For instance, we are dealing with the question of withdrawing party organizations from school campuses. The Kuomintang has the courage to meet the challenge with regard to all problems. I think that in order to turn the ROC into a democratic constitutional country, the Kuomintang should gradually adopt an open policy. Thanks.

**The National Security Council Should Meet as Little as Possible**  
[subhead]

10. Question: I am Jung Fu-tien from LIEN HO PAO. I would like to follow up the question just raised by Mr Miao of the China Television Company. You have just said that the functions of the president and the premier are carried out in accordance with the Constitution and its Temporary Provisions. I would like to ask you, Mr President, what role will the National Security Council [NSC] play in the future? According to political analysts, important national policies at present are decided jointly by President Li, Premier Yu, the ruling party's Secretary General Li, and the NSC's Secretary General Chiang. As you have emphasized repeatedly that the functions are carried out in accordance with the Constitution, may I ask you to give us a specific example of how these functions were carried out in the course of studying and discussing important state affairs in the past month. Thank you.

Answer: Thank you, Mr Jung. The NSC was established in accordance with the Temporary Provisions of the Constitution. As everyone knows, in the past few years, the NSC convened only once a year. What did it discuss? It discussed the government budget and did not decide any other important matters. The NSC should be convened as little as possible. The late President Chiang thought so, and I think so, too. If the president takes advantage of the Temporary Provisions to convene too many sessions of the NSC, the president in our country will decide too many things alone. I think that our fundamental question is how to return to constitutional rule, because the Temporary Provisions are designed to supplement areas where other laws do not cover during the period of communist rebellion. The Temporary Provisions yielded their effects in the past. For instance, you probably haven't noticed that the 9-year compulsory education was decided completely by the NSC. Otherwise, it would not have been possible. Various personnel affairs of the Personnel Administrative Bureau were also decided by the NSC in accordance with the Temporary

Provisions. The emergency presidential order of the evening of 13 January, which I mentioned earlier, was also issued in accordance with these provisions. It was not decided by a meeting. Therefore, the NSC is important. However, its importance should be reduced as much as possible and it should be convened as little as possible.

Mr Jung asks me what I will do when problems arise in the future. This is a matter of coordination, as I have just pointed out. In the presidential office, there is a secretary general. He is here. He will help me. In addition, there is a secretary general in the Kuomintang central headquarters. He will also help me because I am the acting chairman. When there is an important issue or an issue which the Executive Yuan cannot settle, we will discuss it together. This practice has been initiated since before late President Chiang Ching-kuo passed away. I may say that we have resumed most of the methods or meetings which the late President Chiang Ching-kuo employed to deal with major issues and make major policy decisions.

To answer Mr Jung's question about who will bear the responsibility when problems arise in the future, I don't think there will be any difficulties. The conclusion is that I will bear the responsibility. As the head of state, it is my duty to protect the security of the country and promote the people's well-being. This is the president's duty. Therefore, the final responsibility is mine, but the execution is entirely the responsibility of the Executive Yuan.

#### Careful Study of the Institutionalization of Local Governments [subhead]

11. Question: How are you, Mr President? I am Li Yen-chiu, a reporter of the Chung-hua Television Station. The government is studying the proposal that mayors of special municipalities be elected by popular vote. I would like to know whether you will go a step further and hold elections for officials of higher level, and whether you will run for the presidency after completing the remaining 2 years of office.

Answer: Miss Li's question may be broken down into three parts. The first part deals with the institutionalization of local governments. We have already made public the portion [of the proposed electoral changes] regarding the provincial governor. The rest is about special municipalities. The question about the direct election of mayors of special municipalities by popular vote still requires further study. Premier Yu suggested during the last meeting of the Kuomintang Standing Committee that the final decision not be made until after the 13-member group of the Kuomintang reviews the question comprehensively. I think that we may accept the proposal only after the 13-member group gives consent.

As for the question about my next term, I think that it is still a long time away. I want to do the present tasks well and work very hard. I do not have the wisdom to think of things 2 years hence and decide now whether I will run then or not. Therefore, I cannot answer this question.

#### One Country, Two Systems Not Suitable for Reunification of China [subhead]

12. Question (from TZU LI WAN PAO reporter Hu Hsing-lai): Mr President, you have already replied to three questions concerning cross-Taiwan Straits relations. Of course, these relations are influenced by various circumstances of the subjective reality. In a meeting with a group of legislators before their departure for the United States on 29 January, you mentioned that you would endeavor to stabilize cross-Straits relations. Would you please tell us what specific measures you will take to achieve this goal. Thank you.

Answer: Stability on the Taiwan Straits is not a unilateral issue. The mainland side, while continuing to follow the "four cardinal principles," has never rejected the use of force as a means to liberate or reunify Taiwan, or to maintain the status quo. I believe that if the well-being of the one billion Chinese people is taken into account, the old concept of using force to coerce the other side into reunification must be abandoned. Taiwan, as a complex area, will react to whatever pressure befalls it. Thus I don't believe this question can be resolved by the use of pressure, and this is very important.

As to the stability and security of the Straits, the problem relies on subjective and objective conditions. What I have just mentioned is the subjective side of the problem. Amid all that is beyond our capability, one thing is subjective—that is, we shall continue our efforts to make our economy more prosperous and to accelerate the process of our democratization. Still, Taiwan's economic and political advances could worry the Chinese Communists. That would aggravate the situation because they would worry Taiwan might want independence and might give up the goal of reunification. As our national policy stipulates, we adhere to a one-China policy—that is, China must be reunited. But, reunification can never be realized under the conditions currently suggested by the Chinese Communists under the "one country, two systems" concept. "One country, two systems" is aimed at localizing the ROC Government through united front maneuvers and coercion. That achieved, they will do as they like. This is wrong. We hope that subjectively we can continue our efforts toward promoting political democratization and freedom on the mainland. This, I think, is the proper way to solve the problem.

As to the security problem, it involves many issues, such as Taiwan's military strength, our international position, and relations with the United States. All these must be considered. We can actually adopt diversified measures. This is what I have already explained.



No Need To Make Foreign Exchange Reserve Figures Public [subhead]

13. Question (from DPA's Neumann): From local newspaper reports, I understand that you summoned Mr Chang Chi-cheng, governor of the Central Bank of China, to give a full account of the whereabouts of this country's foreign currency reserves. And from my interviews with people, I understand they are concerned about their money because they have been working so hard for the past 4 decades. My question is: Has your good office received a report from the Central Bank, what do you plan to do with it, and will it be made available to the public?

Answer: When Governor Chang Chi-cheng came to the Presidential Office to see me, naturally he gave me a detailed explanation of the disposition of our foreign exchange reserves, about their safety, and so on. I think we should understand the importance of the Central Bank. Considering the functions of the bank, I don't think it is appropriate to ask the Central Bank to disclose the circumstances of utilization and deposit of foreign exchange reserves because the Central Bank is the most important institution in stabilization of our finances. It also has the responsibility of administering and regulating other financial institutions. Besides, it must stabilize the exchange rates of our foreign exchange. Only after it has fulfilled its function of stabilizing the exchange rates, the monetary value, and the whole financial situation, will it be in a position to make policy decisions. Thus it may be said that the Central Bank is by nature a very neutral organization in our country. We all know that our country has great foreign exchange reserves. So people ask if the money will be used carelessly, if it is used in some unjustified places, and if it is safe. The very reason I asked Governor Chang to brief me at the Presidential Office was so that I could assure the public that there is no such safety problem. The money is earned by the public and managed by the bank. Will you worry about your money in the bank? Of course, not. If you do, you can ask the bank to make the account public. Can the public read and understand the account? The account itself is meaningless. This is a realistic question. Would the money be in trouble if deposited in the International Commercial Bank of China, or Canton Bank, or such and such a bank in the United States? No, it would not be. The government will guarantee its safety. The responsibility of the governor is clearly stipulated in the Central Bank Law, Article 2. Also, the Control Yuan sends people to check the account from time to time. Further, the board of directors is reelected every 5 years, and the board of supervisors every 3 years. This demonstrates that the process is fully institutionalized. I hope everyone is aware of this. The Central Bank conducts its management under an established system. The deposits are protected under the law from any eventualities. There are no problems with their security. I would like to take this opportunity to emphasize this point.

Raising Productivity by Upgrading Science and Technology [Subhead]

14. Question: (Don Shapiro of TIME Magazine) Many people have suggested that the Government of the ROC should adopt a more aggressive fiscal policy that would increase investment in education, communications, and environmental protection. Mr President, may I ask what your opinion is?

Answer: I very much agree with Mr Shapiro's views. As to how we should do it, I think that to a large extent that involves the jurisdiction of the Executive Yuan. However, when Governor Chang of the Central Bank of China came to see me at the Presidential Office last time, I also mentioned the issue of how to utilize our foreign exchange reserves to further stimulate investment, and made some suggestions concerning the feasibility of establishing overseas cooperative funds and foreign exchange markets. These are only feasibility studies which I did not ask him to follow. However, I think our goals for the economic development of the ROC and the continuing political reform are far-reaching, with projections of per capita income of \$U.S.17,500 and a GNP of \$U.S.300 billion by the year 2000. We have sketched the outline for our nation's progress. Under the current situation, we are bound to achieve this goal; and therefore, the issue brought up by Mr Shapiro is very important. We realize that within the projected annual GNP growth rate of 6.5 percent, growth of the labor force will account for 2.5 percent and increased labor productivity for the other 4.0 percent. It is very clear that labor productivity is a result of a labor force's combined intelligence, machinery, equipment, and science and technology. It will not be easy to achieve a 4 percent increase in labor productivity; this will require maximum efforts in the future to upgrade our science and technology. Raising the level of our science and technology will in turn raise the level of our industrial structure, which is a big issue. Yet another issue that needs our attention—an educational one concerning the strengthening of social values and establishment of a new set of ethics—will emerge afterwards. In addition to the aforesaid issues, I think we should attach importance to enhancing our cultural life because the lifestyle that accompanies a per capita income of \$U.S.17,500 should not only be one of material wealth but also one of culture. Only when it has a high cultural level and strong social ethics and morals can a society be considered a free and democratic one with equally distributed wealth. In order to reach this goal, there are plenty of things to be done, things that I am unable to discuss individually at this point. But I do agree with what Mr Shapiro has said. Yet, the carrying out of all these tasks should be planned, followed up, and evaluated by the Executive Yuan. Action should be taken quickly, otherwise we may not use up all our money. I am sure everyone must have concerns about this issue. Many things concerning this issue should be discussed, studied, and implemented by the people in the future.

Enhancing Financial Ties Between the ROC and Singapore [subhead]



15. Question: How are you, Mr President? I am Chiew Chee Phong from Singapore's NANYANG XINGZHOU LIANHE ZAOBAO. As everyone knows that the late President Chiang Ching-kuo and Singapore's Prime Minister Lee Kuan Yew were great friends, Mr President, may I ask what specific steps you are going to take to enhance the bilateral relations between the ROC and Singapore? In addition, has your country prepared or decided to replace Hong Kong with Singapore as the most important entrepot trade center in case [as published] Communist China takes over Hong Kong in 1997? Thank you.

Answer: We are all very aware of the close ties between the late President Chiang Ching-kuo and Prime Minister Lee Kuan Yew. Personally, I am not very close to Prime Minister Lee Kuan Yew except that I have played golf with him a few times. However, we do hope that this great leader will visit the ROC as often as before. The ROC and Singapore, both composed predominantly of Chinese, share similar cultural and demographic structures, thus enjoying close relations. These two nations, however, differ from each other in the sense that Singapore is a city-state, while the ROC is a nation with both agriculture and industry. We should enhance our economic cooperation in the future. Since Singapore is a member of SEATO, its demands for raw materials, food, and other goods are supplied by neighboring Indonesia and Malaysia. In this aspect, our two nations might not have much chance to share economic functions. Yet, we still have certain things in common, things through which we should seek cooperation. We can help each other in terms of banking in order to facilitate more active monetary operations and advance industrialization in Asia. Besides, Singapore and the ROC have already started to make overseas investments and establish monetary institutions.

As to the second question on Hong Kong after 1997, we are not sure how many people will come either to Singapore or to Taiwan. Why? Because this not only involves legal matters and political factors, but also involves whether we have a hinterland capable of absorbing Hong Kong's industries and businesses. The ROC is also studying this issue currently with an eye toward how to benefit from and maintain contact with Hong Kong after 1997.

#### Handling the Taiwan Independence Question Strictly According to Law [subhead]

16. Question: (Shaw of United Press International) The "Democratic Progressive Party" has recently held demonstrations again. Mr President, what is your opinion on this kind of behavior? And if necessary, would you be willing to communicate directly with the DPP or meet with their leaders in person? Thank you.

Answer: The "Democratic Progressive Party" may be using such issues as "the 28 February Incident" and across-the-board parliamentary elections to launch large-scale parades and demonstrations. Since the "Law on

Assembly and Parades" has already been put into effect, I think we had better handle these questions according to this law. As for whether I am willing to talk directly with the chairman of the Democratic Progressive Party [no quotation marks placed around party name], the time is not ripe or appropriate for such a meeting. However, the Chinese Kuomintang is fully prepared to communicate with them. I hold that as long as it is of benefit to the country, the Chinese Kuomintang is very much willing to discuss any questions raised by people. However, if the intention is merely to interrupt for interruption's sake, especially to raise the "Taiwan independence" question, it will be handled strictly according to law. I discussed these issues publicly shortly after the death of President Chiang Ching-kuo last month. Why did I discuss these things then? If they try to use minor issues or the slogan of "Taiwan independence" to seek selfish gains for their party, they cannot succeed. Why? First, "the Taiwan independence movement" is illegal. Second, from the historical point of view, neither democracy nor Chinese tradition allows for its existence. Third, "the Taiwan independence movement" cannot possibly survive domestically or internationally. The people in particular do not support "the Taiwan independence movement."

From another point of view, if you study the history of the development of "the Taiwan independence movement," you will find that "the Taiwan independence movement" has been discussed every year since 1947. However, its supporters, policies, objectives, and course of action have been changing continually. So I feel that it is necessary to deal with the call for "Taiwan independence" according to the law, because it is one of the most destabilizing factors in Taiwan today. Now I want to particularly emphasize my personal conviction that this problem must be handled according to law. If people proceed from the interests of the country to discuss questions, representatives of the Kuomintang will communicate with them. I believe that communication is the best method for dealing with political issues, and such communication will be strengthened.

#### Choosing People for Positions Regardless of Their Native Provinces [subhead]

17. Question: I am Wang Tsao-hsiung of TAIWAN SHIH PAO [TAIWAN TIMES]. Mr President, you are the first Taiwanese to become president of the ROC. Are you going to continue the "localization" policy started by the late President Chiang Ching-kuo? In addition, since the 13th party congress will open on 7 July, do you have anything in mind concerning personnel arrangements?

Answer: Thank you, Mr Wang. I have no idea where the term "localization" comes from. Frankly speaking, in the Taipei City Government, in the provincial government, and now as president, I have never chosen a person for a position because of his native province. Why then was the issue brought up? As a matter of fact,

I believe many problems do exist. All of you understand that people in any place have their friends and acquaintances and that in politics the existence of small factions is inevitable. In the Taiwan area, have native Taiwanese had more opportunities to participate in political affairs since the government moved here from the mainland? If "localization" means allowing many native Taiwanese to participate in politics, I do not object. As a matter of fact, there is no need to stress "localization. Am I not right? Whether we practice "localization" or "mainlandization," we are all Chinese. This is my personal point of view. If you ask me about my policy of choosing an appropriate person to work for the government, my immediate answer is that I do not discriminate based on where he is from. My major consideration is whether he is honest, selfless, and cooperative. If he is not cooperative, he cannot work with others no matter how bright he is. It is not right not to be cooperative. The late President Chiang Ching-kuo did not initiate the "localization policy." It was other people who called it the "localization policy" and defined it. The late President Chiang Ching-kuo promoted me to the position of vice president. He has passed away, and now I have become president. Is this a result of "localization"? I do not think so. We should be broad-minded. We should not confine ourselves to a narrow road. Is it not better to walk on a wider road? This is my point of view.

In regard to your second question about personnel arrangements for my administration before and after the 13th party congress, I actually have no plans yet. The reason for this is that the current situation is very quiet and there is no need to make any changes. If changes were made, they might cause confusion. When new policies and tasks are set at the 13th party congress, we shall study what personnel will be needed to carry them out. I do not think it is good to make personnel changes before such a need arises.

#### In Good Health [subhead]

18. Question: I'm Chen Pai-chia, reporter from the China Broadcasting Corporation. It has been suggested that the health of the head of state should be made public periodically. What is your comment on such suggestions?

Answer: Yesterday it occurred to me that someone might just ask this question today, so I came prepared with my medical records. According to government regulations, officials, at least those of the rank of department head and up, must undergo government-subsidized physical checkups once a year. Health problems are important to each of us. The results of my physical checkup last year show that everything was fine except for two minor problems. The uric acid count was slightly, 0.4 or 0.5 milligrams/deciliter, higher than normal, and the cholesterol level was between 245 and 250 milligrams/deciliter, which was also a little high. Other than that, I am in good health.

As to future medical checkups, there is not yet any official policy on that. But if the people are concerned with the state of the president's health, we can certainly review the possibility of releasing the president's health data, and perhaps the secretary general or deputy secretary general of the Presidential Office will release the data at an appropriate time in order to keep the public informed of the state of the president's health. I play golf everyday and I am healthy. In any case, I'm sure that this matter will be undertaken eventually after review.

#### Resolving the Sino-U.S. Trade Deficit With Sincerity [subhead]

19. Question: (from U.S. WALL STREET JOURNAL reporter McGregor) A U.S. assistant treasury secretary has expressed dissatisfaction with the U.S. trade deficit with the ROC, saying that the ROC is dragging its feet on the trade issue and lacks sincerity in resolving the problem. He has suggested that the ROC restructure its economic system in order to solve the Sino-U.S. trade issue. Mr President, what is your comment on such criticisms?

Answer: I need to make it clear here that as a matter of fact, the ROC is more earnest than any other country in solving the trade issue. Although the ROC and the United States have no diplomatic relations, we have maintained good ties at the nongovernmental level. At the same time, during my meetings with visiting U.S. congressmen and governors, I often repeated a statement regarding an undeniable fact—that is, that the ROC owes everything it has today to the continuous economic aid given it by the United States from 1949-50 to 1964-65, and we shall never forget this. But, the ROC is not a rich country. Despite the U.S.\$75 billion in foreign exchange reserves, our economic strength is limited. However, we are willing to show our greatest sincerity in international negotiations, and to help the United States solve any problem. Therefore, the criticisms of the ROC's lack of sincerity and procrastination just mentioned are unfounded. The ROC has exerted great efforts in this aspect, such as opening its market and adjusting tariffs on 3,575 kinds of import items. As of the end of 1987, the tariffs on some 3,700 kinds of items had been lowered. We have also tried to import as much as possible from the United States.

As far as the foreign exchange rate is concerned, we have appreciated our currency by more than 25 percent since last year, or 45 percent since the year before. Therefore, I would say that the ROC is very serious in trying to readjust its economic relations with the United States. As premier Yu indicated in his recent news conference, we have already worked out a timetable to reduce our trade surplus with the United States. I think this is very important. Unlike other countries, the ROC will certainly implement whatever timetable it makes. For example, we are committed to reducing our foreign trade surplus with the United States from some U.S.\$16



billion to U.S.\$10 billion this year, which is a tremendous task. Since the ROC's economy as a whole depends on foreign trade, the reduced portion of trade with the United States will be a big problem for us. This is why in my answer to the SANKEI SHIMBUN reporter I mentioned the question concerning the U.S. market and depreciation of the dollar. In fact, the United States is unable to control the depreciation of its currency and is relying on other regions to help solve the problem. The ROC should not continuously appreciate its currency in order to readjust the foreign exchange reserves. According to economic theory in general, any measure to reduce trade through readjusting foreign exchange rates will produce extremely adverse effects on the domestic GNP. Therefore, the only way to solve the problem is to open the market as wide as possible, lower the exchange rate, or purchase special goods in large amounts. Or, as the ROC Government is carrying out 14 major construction projects, the U.S. Government may want to help us complete the projects. It would be an honest and positive way of trying to solve the problem. I believe that any problem in the U.S. economy will affect not only the United States but also the ROC. We are fully aware of this. It is necessary to ensure coordination with each other, and the United States may rest assured that we will do our best to do so. The ROC has been criticized in some ways. But there are difficulties, and problems are handled step-by-step. Everytime I have met my American friends I have mentioned this question. With the greatest sincerity, the ROC wants to help the United States solve its trade deficit. Thank you!

#### New Concept for Mainland Policy [subhead]

20. Question: I am Higashio Tobari of Japan's YOMIURI SHIMBUN. I would like to ask you a question on the two sides of the Straits. According to our understanding, your anticipation of relations between the two sides of the Straits is 100 percent antagonistic. However, a great number of changes have taken place in the past 40 years. May I ask if you have reconsidered or redefined the relations between the two sides of the Straits?

Answer: I have just talked about this question. As for this question, there are two major points of concern: One concerns the mainland's Taiwan policy, with Communist China not having given up the notion of reunification by force. Such a notion, which means, I am powerful enough to force you to listen to me, is in itself a problem. The other problem is the "one nation, two systems" notion, which implies, since you are a local government, I can drive you into a corner or even into a dead end alley as I wish. I think that this kind of mentality should change. In the past 30 or so years, the ROC has encountered numerous difficulties. We were lucky enough to have two great leaders to lead us to cope with all these difficulties. The real accomplishment of the ROC in Taiwan during the past 40 years is to having found its own way when it was driven into a dead end. What way is this? It is that of flexible diplomacy, namely, to be able

to develop our economy without having official foreign relations. It is a way we chose because we had no other choice. I think that the concept of basing politics on force is wrong.

Therefore, I hope that the question of the two sides of the Straits will be solved according to a new concept. Since this is a rather objective than subjective question, we should start with objective matters. I sincerely believe that this question can only be resolved when some changes are made first.

#### Conflict Can Be Eased With Love [subhead]

21. Question: I am Hsu Tzu-an of TZU YOU JIH PAO [Freedom Daily]. I would like to ask President Li one question, that is, several years ago on a certain occasion you mentioned that you felt gratified at two things during your term as Taiwan governor. One of them was that you resolved a feud between two aboriginal tribes and made them friends. I would like to expand on this point a little bit further. That is, in today's society, there still exists undeniably a difference of views between Taiwanese and mainlanders. So I wonder, as the first Taiwanese president and a pious Christian, are you willing to face this issue and take some action to solve it, and particularly on the eve of the anniversary of the "28 February incident," what do you think the government and the people should do in reexamining this incident? Thank you.

Answer: Thank you. I think we should basically have a point of view on this case. Then what is this point of view? My consistent personal philosophy is that society should be balanced and that one should love others. My personal view in this regard is that issues, major or minor, should be considered from the standpoint of love. Love means giving consideration not to oneself but to others and considering others according to their individual circumstances. Some people may laugh at me as a politician when I proceed from love. In fact, however, I think that this is the most effective method. When a difficult problem occurs in the future, I will communicate harmoniously with others from the standpoint of love and in the interest of the country. The "28 February incident" has just been mentioned. It seems to me that most of those present here are under 40. Mr Hsu of TZU YU JIH PAO should also be under 40. It is strange to me that most of those who now talk about the "28 February incident" are all under 40. I was a senior at Taiwan University when the "28 February incident" occurred. What was the situation then? Should we not leave the situation at that time to future historians to study? Why is this question raised now at this time? For purposes of agitation, some people talk about "don't forget the 28 February incident" and "peace day." I think that, in fact, it was a tragedy which took place shortly after the retrocession of Taiwan to China. This tragedy has been talked about repeatedly every year. "Don't forget the 28 February incident"—does this not run counter to love? There can be no stability in society, not even for a single



day, if people act in the way of "an eye for an eye, a tooth for a tooth." I object if this tragedy is used politically to agitate people. Why do people not ease up and be more reasonable? I have just made it clear in my introduction today that the people have matured politically. Why should this old, past, and tragic incident be brought up again? Is it necessary? I do not think people will do this, except for some with political ambitions. To make progress, we must look forward, not backward. If everyone adopts such an attitude, quicker progress will be made in Taiwan. In issue No. 1 of SHIH PAO CHOU KAN [Times Weekly], I said: Some people say that if political reform is not carried out promptly in Taiwan, things which happened in two adjacent countries may also happen here. I say, sorry, I do not agree with what they say because the two countries are different from our ROC. They just cannot see the difference. Some people do not understand the economic situation in the ROC, what the people here think, and the social structure of the country, but yet they say that things which happened in other countries will also happen here. A number of foreign magazines in particular wrote much about this. I hope that everyone has seen this clearly: The ROC is a very reasonable country, and its people have become as mature politically as those in advanced countries.

I, Li Teng-hui, have become president of the country without spending a penny. I have indeed not spent a penny. In other parts of the world, there is no such thing as one becoming president of the country without spending a penny. I was sworn in as president according to the Constitution. Our country is great, and we should maintain this greatness. We all should have greater confidence that the ROC will be able to develop further. I have always said that one should remove the shadow from one's mind and have confidence in the country and the future. This is my conclusion at today's news conference. Thank you all for your hard work.

**Claim to Spratly Islands Renewed; Military Vigilant**  
*OW010405 Taipei CNA in English 0252 GMT 1 Mar 88*

[Text] Taipei, March 1 (CNA) — The Republic of China's [ROC] Armed Forces have heightened their vigilance against the Chinese Communist vessels operating near the Spratly Islands, Maj. Gen. Chang Hui-yuan, spokesman for the Ministry of National Defense, said Monday.

Chang made his remarks at a press conference at the Government Information Office.

Chen Yu-chu, spokesman for the Ministry of Foreign Affairs, also told the press conference that the Spratly Islands are a part of the ROC's territory and the ROC Government will never change its claim to sovereignty over the islands, despite the claims of other nations.

The Chinese Communists, Vietnam, the Philippines and Malaysia have also asserted claims over the islands.

**Paracel Islands Claimed**

*OW010907 Taipei CHINA POST in English*  
*26 Feb 88 p 12*

[Text] The Ministry of Foreign Affairs yesterday [25 February] reiterated the Republic of China's [ROC] claim over the Spratly Islands in response to Malaysia's announcement of sovereignty on Wednesday.

A spokesman for the ministry said the ROC has repeatedly asserted its sovereignty in the past over the Paracel and Spratly Islands, adding that it will not alter this stand.

**Premier Urges Asian Regional Economic Cooperation**  
*OW010711 Taipei International Service in English 0200 GMT 29 Feb 88*

[Text] Republic of China [ROC] Premier Yu Kuo-hua suggested Saturday [27 February] that the ROC, South Korea, and Southeast Asian countries initiate a regional economic and trade cooperation entity modeled after the European Economic Community. Yu told a news conference shortly after returning from Seoul that the Asian trade community will help resolve the common problem of overconcentration in the U.S. market.

The premier was in South Korea attending the presidential inauguration of No Tae-u. Yu said that he raised the suggestion in his meeting with ranking South Korean officials who agreed with the need of such an organization.

The premier said that the proposal is just an initial plan, adding that it will be the long-term goal of those nations. He noted that two-way trade between Taipei and Seoul jumped 70 percent to \$1.1 billion last year, showing that economic and trade ties can be strengthened further.

**Long-range Antiship Missile Tested Successfully**  
*OW010331 Taipei CNA in English 0235 GMT 1 Mar 88*

[Text] Taipei, March 1 (CNA)—A new long-range antiship missile has been successfully tested, thus greatly enhancing the Republic of China [ROC] naval combat strength, military spokesman Maj. Gen. Chang Hui-yuan announced Monday.

The new missile, dubbed the "Hsiung Feng II," is an advanced version of the "Hsiung Feng I" antiship missile, Chang told a press conference at the Government Information Office.

He said the "Hsiung Feng II" has been totally designed and manufactured by domestic scientists and that it was as good as similar types of foreign missiles in terms of range, speed, target precision, and control ability.

With the combination of the long-range "Hsiung Feng II" and the short-range "Hsiung Feng I" missiles, the ROC navy antiship weapons system will become more powerful, and thus help continue the nation's naval dominance in the Taiwan Straits, Chang said.

Gen. Hau Pei-tsun, chief of the General Staff, has awarded the scientists responsible for their strenuous efforts in designing and manufacturing the new missile, Chang said.

Other missiles that have been successfully developed by the Chung Shan Institute of Science and Technology include the surface-to-air "Air Bow I" and the air-to-air "Sky Sword I" missiles.

**Mainland Visits Prohibited for Military Dependents**  
*OW010421 Taipei CNA in English 0255 GMT 1 Mar 88*

[Text] Taipei, March 1 (CNA)—The Ministry of National Defense will not permit Armed Forces dependents to visit the Chinese mainland in order to safeguard both their interests and rights and military security, Maj. Gen. Chang Hui-yuan, spokesman for the ministry, said Monday.

Chang said the Chinese Communists have never ruled out taking Taiwan by force and they will continue to employ united front tactics. If the government permits military dependents to visit their relatives on the mainland, this will not only benefit Chinese Communist propaganda but also seriously affect the morale of the Armed Forces.

Therefore, he said, the ministry has ruled that the dependents of military officers, sergeants and petty officers, commissioned and civilian personnel of the military are not permitted to visit their relatives on the mainland.

**\$2.4 Billion Investment in U.S. Industries Approved**  
*OW010439 Taipei CNA in English 0358 GMT 1 Mar 88*

[Text] Taipei, March 1 (CNA)—The Executive Yuan of the Republic of China [ROC] has approved a plan to invest U.S. \$2.4 billion over five years in United States' industries in order to soften the mounting trade protectionist sentiments there as well as to secure American markets for Taiwan companies.

The massive investment plan will cover industries in four different fields: high technology, marketing, finance and manufacturing industries.

Key points of the plan included:

— High technology: The strategies to be adopted include making investment in American venture capital companies and encouraging ROC research institutes to set up research centers in American cities with dense and intense high-tech research activity and encouraging larger ROC companies to make investment into high-tech American companies. Research institutes, such as the different research units under the Industrial Technology Research Institute (ITRI), would recruit talents in the United States.

— Marketing business: Including investment in marketing in the United States so that local companies can obtain access to marketing channels. The steps to be taken include encouraging industries such as the information and machine tool industries to make investment in existing marketing firms in the United States, encouraging them to buy shares in their major American clients, encouraging local exporters and financial institutions both here and abroad to organize leasing companies to help promote sales of capital goods made in Taiwan.

— Finance: The strategies include encouraging ROC banks to make investment in the American finance industry, and permitting ROC citizens to make investments in American securities. The steps to be taken include having the Ministry of Finance and the Central Bank of China to work out detailed regulations to encourage major foreign exchange banks in Taiwan to set up branches in New York, Chicago, Los Angeles, San Francisco and Houston to absorb experience in international financial dealings and help train talents and support ROC trade and investment in the U.S.

— Traditional manufacturing industries: The strategies include encouraging local companies to make direct investment in setting up plants in the U.S. and utilize export processing facilities along the U.S.-Mexican border areas to promote investment. Since different states in the U.S. have different special industrial development, environment and special industrial characteristics, the government will assist traditional export industries in Taiwan to make appropriate choices of areas for investment. The next step is encouraging large corporations together with medium and downstream factories to make large-scale and vertically integrated operations at proper locations in the United States.

## Hong Kong

**'Stormy' Defense Costs Talks Collapse**  
*HK010832 Hong Kong SOUTH CHINA MORNING POST*  
*in English 1 Mar 88 p 3*

[By Simon Mackinn and Tsang Shuk-wa]

[Text] Stormy talks to forge a new Defence Costs Agreement collapsed yesterday after Britain rejected a Hong Kong offer to shoulder 60 percent of the cost of maintaining a garrison in the territory.

The leader of the Hong Kong negotiating team, Financial Secretary Piers Jacobs, said after the meeting came to an abrupt close that both sides had nothing more to discuss. No arrangements for another round of talks were made.

It is believed that the British team refused to offer more than a five percent increase in defense spending—which would have taken Britain's share to 30 percent.

Under the existing seven-year agreement, which expires at the end of the month, Hong Kong pays 75 percent of the cost while the British Government pays the remaining 25 percent.

It is understood that both sides agreed to calculate the defence costs for the next nine years as a block and that Hong Kong should gradually contribute less towards the garrison cost in the run up to 1997.

And Hong Kong probably would not have objected to paying 70 percent of the defence costs next year—so long as its financial commitment over the next nine years evened out at 60 percent.

The leader of the British team, the British Assistant Under-Secretary (General and Finance) at the Ministry of Defence, Mr Brian Cousins, said he would now return to Britain to consult British Government ministers.

Meanwhile Mr Jacobs is expected to report to the Executive Council today on the inconclusive negotiations.

The Financial Secretary has made no provision in the Budget, which he will bring down tomorrow, for defence costs although there is a \$90 million allocation for such things as maintenance work on garrison property.

Asked who would pick up the bill for the British forces, Mr Jacobs said: "We will have to wait and see."

Mr Jacobs will also announce tomorrow that a contingency fund has been established to cover Hong Kong's share of defence costs in the event of an agreement being reached.

But the fund will not be used without the approval of the Executive Council and the Legislative Council's Finance Committee.

The agreement last year cost Hong Kong taxpayers \$1.71 billion and Legislative Councillors have said they would use their vote in the Finance Committee to block the provision of further funds.

Mr Cousins had seemed optimistic a solution would be found when he arrived for yesterday's session at the Central Government Offices, telling reporters the discussions would continue later this week if no resolution could be found.

But following a brief meeting after lunch, Mr Jacobs made it clear the two sides had nothing further to say to one another.

"During the course of these discussions, both sides have tabled proposals—the talks have centred on reconciling outstanding issues".

The Hong Kong Government had been negotiating with the British authorities since June for a cut in the local taxpayers burden in bearing the cost of the garrison.

It is understood British Foreign Secretary, Sir Geoffrey Howe, authorised the British to go only as far as a 70-30 deal.

It is believed that the governor, Sir David Wilson, endorsed Mr Jacobs' hardline stand.

And because of the short time available it is now unlikely that a new deal will be finalised before the existing Defence Costs Agreement expires on March 31.

"We are at the stage now where there is no way we can reach an agreement before this one expires," one official said.

"I should imagine the two sides will get together again to try and reach an agreement—it is unlikely Hong Kong will pay nothing at all," he said.

A spokesman for the British forces based in Hong Kong said there was no question the garrison would continue to operate in support of local security forces despite the lack of agreement between the two governments.

"We will continue to perform our duties as long as we are required to—there is no question about that," the spokesman said.

The decision by the Hong Kong negotiating team to stand firm was applauded last night by Legislative Councillor, Mr Martin Lee.

He said it was "ridiculous" for Hong Kong to be asked to share the costs.

It was up to the British Government to pay for the upkeep of its own troops who were stationed here to protect the interests of Britain, Mr Lee added.



**UK Given 'Warning' About Debate on Hong Kong**  
*HK010754 Hong Kong AFP in English 0705 GMT*  
1 Mar 88

[By Claudia Mo]

[Text] Hong Kong, March 1 (AFP)—A top Beijing official here gave a veiled warning to Britain Tuesday not to interfere with a planned Chinese constitution for post-1997 Hong Kong.

His remarks followed British M.P. Sir Peter Blaker's statement here Friday that the House of Commons was likely to hold a debate on the constitution called the Basic Law after a first draft is released in May.

"The Basic Law is a matter of the People's Republic of China, and our stand is clear to the British government," said a senior official at the local branch of the NEW CHINA NEWS AGENCY, Beijing's de facto consulate here.

The Basic Law will govern Hong Kong for 50 years after 1997, when China resumes sovereignty over the British colony under a 1984 Sino-British Joint Declaration.

The official, who requested anonymity, refused to say whether Beijing would launch a diplomatic protest if the British parliament holds the debate.

"I'm not prepared to say anything more on the matter. I'll just repeat: the Basic Law is a matter of the Chinese government and the British clearly know that," he told AGENCE FRANCE-PRESSE.

He added however that Hong Kong's Legislative Council would be welcome to hold a debate on the issue, a move yet to be decided by local legislators.

"Hong Kong is different," the official said, stressing that the territory had the right to debate the Basic Law, due to be promulgated by Beijing in 1990, since the constitution directly concerns it.

"We welcome opinions on the Basic Law from every walk of life in Hong Kong," 98 per cent of whose 5.65 million people are ethnic Chinese, he added.

Wan Fai, editor of the local China-watching monthly CHENG MING said: "The Chinese will certainly launch a diplomatic protest if the British parliament really goes ahead with the debate.

"But I think Beijing would only do it in a hush-hush way as any overt row between Beijing and London would frighten Hong Kong."

Uncertainty over the pending communist takeover has eroded confidence in Hong Kong and people are emigrating in massive numbers, observers said.

Under the 1984 pact, Hong Kong will become a special administrative region of China for 50 years after 1997, enjoying "a high degree of autonomy" while retaining its capitalist system.

At a press conference Friday, Sir Peter was asked whether it was appropriate for the House of Commons to debate Chinese laws, as Beijing might see such a move as interference in its internal affairs.

"I totally reject that question," he replied, adding that if this were the case, British M.P.'s would not have discussed apartheid in South Africa.

Sir Peter, chairman of the parliamentary group on Hong Kong, said the parliament was not the government and M.P.'s had the right to see that Whitehall "does its job properly" in handing Hong Kong back to China.

Two other visiting M.P.'s here, John Marek and Alan Beith, also expressed support for a House of Commons debate. All three men said British M.P.'s would only express individual views and no vote was likely to be taken on the issue.

They said it would be up to the British government to discuss with Beijing any flaws found in the Basic Law draft.

**Governor Warns Against 'Radical Actions'**  
*HK010828 Hong Kong HONGKONG STANDARD in*  
*English 1 Mar 88 p 2*

[By Fan Cheuk Wan and Winnie Fu]

[Text] The Governor, Sir David Wilson, yesterday warned militant Heung Yee Kuk [rural advisory body] members not to rock the boat in Hong Kong's volatile political climate.

He delivered this message during a meeting with Heung Yee Kuk chief Mr Lau Wong-fat at Government House yesterday.

Mr Lau said the Governor warned Kuk members "not to take radical actions at such a politically sensitive period."

Heung Yee Kuk members protested vigorously after the publication of the White Paper on Political Reform was published. It did not award the Kuk a functional constituency seat in the Legislative Council [Legco].

But the Governor's warning went unheeded by more than 100 people who boycotted yesterday's annual spring reception hosted by the City and New Territories Administration.

The snub was a planned protest against the White Paper.

Half of those who boycotted the reception were Kuk members and the rest were liberal members of district boards.

Among the liberals were Legco member Mr Desmond Lee, Urban Councillor Mr Man Sai-cheong and district board member Mr Lee Shun-wai.

Kuk members burned copies of the White Paper three days after its release and boycotted all Lunar New Year celebrations organised by the Government.

The boycott is supported by all the rural committees, and some disgruntled rural, committee members have gone so far as to threaten to return their British Badges of Honour to demonstrate their discontent.

Mr Lau described his discussion with the Governor as unsatisfactory. He said Sir David did not promise to grant the Kuk a seat in the Legislative Council.

"The Governor said our actions were too impulsive but he would consider our opinions before making a formal response to our demands," he said.

Mr Lau said the Kuk had no plans to upgrade its protest action until the Governor gave a formal response. "We must retain our dialogue with the government and not spoil the relationship we have," he said.

"I believe Sir David will give us an answer within one week."

Despite the unhappy confrontation earlier in the day, the Governor seemed in high spirits when he greeted the 1,361 guests who attended the spring reception.

He made no mention of the political paper in his speech, which was delivered in Mandarin and he refused to answer questions from the press.

Sir David praised the people of Hong Kong for their active participation in the territory's public affairs and political reforms, despite their busy daily schedules.

"The government greatly appreciates your efforts in developing this sense of community spirit in Hong Kong," he said.

Despite the boycott, yesterday's reception was better attended than last year's event.

Kuk members who attended the reception included Mr Lo Chi-chung, Mr Ng Chan-lam and Mr Charles Yeung, who attended in a private capacity.

The Secretary for District Administration, Mr Donald Liao, said he was sorry some of his New Territories friends had not shown up, but was satisfied with the total turnout.

Legco member Mr Andrew Wong, who is also an adviser to the Kuk, called for ceasefire between the Government and the Kuk.

He said it was vital to maintain cordial ties between the two bodies for the sake of the long-term interests of the territory.

**Bank Association Drops Negative Interest Rate**  
*HK280322 Hong Kong SOUTH CHINA*  
*SUNDAY MORNING POST in English 28 Feb 88 p 1*

[By Victoria McGlothren]

[Text] The Hong Kong Association of Banks (HKAB) took yet another step away from negative interest rates yesterday by recommending that banks lift the \$500,000 ceiling on interest paid on Hong Kong-dollar savings deposits.

Prior to the announcement, banks had been advised not to pay interest on deposits greater than \$500,000.

"It's now felt that with the interest rates in the market having established some normality, it would be inappropriate to maintain the \$500,000 limit above which we recommended no interest be paid," acting HKAB chairman Mr Ron Carstairs said.

"So, at this morning's meeting, we advised banks to do away with it."

He said the implementation of negative rates was "highly unlikely at the present time, and in future if present conditions prevail".

Local officials have taken a cautious approach to moving the banking system away from the spectre of punitive, or negative, interest rates, a threat raised late last year to curb rampant, speculative buying of the Hong Kong dollar on the belief that the local currency would be revalued against its U.S. counterpart.

The latest move follows an increase recommended by the HKAB two weeks ago of up to one per cent in interest rates paid on savings deposits, a signal that liquidity levels had declined and were approaching normal. The rate-boost also indicated that speculation on the local currency had eased.

Despite widespread criticism of negative rates, the threat of levying a charge on large, Hong Kong-dollar savings and current accounts appears to have worked.

In a mere six weeks, the amount of Hong Kong dollars swilling around the system has shrunk sufficiently to allow the HKAB to reverse its direction from one that was seen to be rapidly moving toward negative rates to one that is clearly moving away.

When the threat of negative rates was first raised, the HKAB announced that the charges would be levied on deposits cleared for settlement, but that banks would not be required to pass the charges on to depositors.



Amid growing fears that banks would elect to absorb the charges, the HKAB announced a little more than a month ago that banks would be obligated to pass negative rates down to depositors if the punitive measure was imposed, and that was where the issue rested until interest rates were boosted two weeks ago.

Although Mr Carstairs said current money market conditions did not warrant punitive rates, he cautioned that banks would "still be in a position to apply negative rates on March 10 if conditions changed, and they felt that was necessary".

For the time being, however, the move is viewed as cause for optimism. According to Chris Pavlou, chief treasury manager at Hong Kong Bank, the territory is now "back to normal. The pressure is now disappearing. The peg is back to something close to \$7.80, and interest rates are back to normal.

"Hopefully, what that means is that importers and exporters will be able to get back to the business of importing and exporting. Stability is the name of the game now. We can encourage everyone to get back to business, and stop worrying about whether the peg is going to change."

**Taiwan Offered Access to Consortium Satellite**  
*HK250333 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English 25 Feb 88 p 1*

[By Chian Chi-keung]

[Text] Taiwan will have the opportunity to use the domestic communications satellite to be launched from China next year by a consortium of Hong Kong, British and Chinese interests.

As Taiwan falls within the coverage area, the island will be able to take advantage of services supplied by the satellite, to be known as Asiasat I, for both communications and broadcasting.

"They are always welcome to use the service," said Min Yu, president of CITIC Technology Corporation (Citech), a subsidiary of China International Trust and Investment Corporation Holdings, the consortium's Beijing partner.

So far, only China has clearly indicated it will use the telecommunications services, which could carry telephone, television and data transmissions.

However, discussions have already begun with other countries to lease some of the satellite's 24 transponders, the signal-emitting probes.

Signals could be beamed to remote and border areas of China, such as Lhasa and Urumqi, where communication links by land-based systems would be too costly or physically impossible.

But Hong Kong will probably not benefit directly given the land-based communications available in the territory's small area.

Taiwan, on the other hand, has a long geographical stretch from north to south and it would be worthwhile and practical to use domestic satellite communications for the island.

After two years of deliberation, an agreement to launch and operate the Westar 6 satellite, which was retrieved from an incorrect orbit three years ago, was signed in Hong Kong yesterday by Cititech, the British telecommunications giant Cable and Wireless [C&W], and Li Ka-shing's Hutchison group.

The project will cost about \$960 million, including the launch cost of about \$280 million and the purchase cost of the satellite for \$280 million.

Insurance for the launch makes up the bulk of the balance.

Michael Gale, C&W's Hong Kong director, said the consortium had not yet decided on an insurer.

He estimated that the project would break even in four years by which time a strong client base and earning potential would have been developed.

Profits generated from individual user tariffs will be shared equally among the three partners.

Mr Min said China would probably pay for the service with foreign currency.

The satellite would normally have a working life of eight years but might function beyond that span, according to Mr Gale.

Detailed financing arrangements were not disclosed yesterday but Mr Gale said: "There will be no problem if you look at the members of the consortium."

He added that on top of the in-orbit cost, a control and monitor station costing \$20 million to \$30 million would be established at Stanley in addition to the other Hong Kong stations operated by C&W.

A management team drawn from the three participating companies will take charge of the ground facilities.

Participating countries would own and operate self-contained domestic satellite networks. Receiving areas will set up antennae which, depending on size, might cost from a few hundred dollars to a million dollars.

Asiasat I will be launched by a Chinese Long March III rocket under the supervision of the China Great Wall Industry Corporation and will be given priority status in China's space program.



Under the agreement, the still unnamed consortium will buy the satellite, manufactured by Hughes Aircraft of the United States, from another group in the Lloyd's of London insurance market.

The satellite is capable of carrying all types of domestic telecommunication signals including public and private telephone and data communication services, television distribution, very small aperture terminal data operations and telemetry.

"The launch of Asiasat I heralds a new era of telecommunications. The impact on social and economic development in China and other participating countries will be dramatic," Mr Gale said.

The lining up of C&W with CITIC, which is actively entering the field of high technology, will represent a powerful new force in the business in Asia.

"CITIC is a substantial company and is very influential within China and the territory which the satellite will serve," he said.

The Hutchison group joins the project through its telecommunications subsidiary Hutchison Telecom, which in turn has formed a new concern to run the satellite business, Hutchison Satellite systems.

Richard Siemens, managing director of Hutchison Telecom, said yesterday that although they and C&W were potential competitors in the cable television business, the two groups did cooperate on some issues as well.

Hong Kong Telephone, 80 percent owned by C&W, is competing against Hutchison Cablevision for a cable television licence in Hong Kong, to be awarded this autumn.

Asiasat I has 24 transponders and each probe has the capacity to provide the equivalent of 800 simultaneous telephone conversations or one television channel.

Technical reasons mean the satellite can only provide a maximum of about 12,000 simultaneous telephone calls, 24 television channels or a mix of the two.

Existing telecommunications facilities between Hong Kong and Guangzhou can handle approximately 3,000 simultaneous telephone conversations.

Mr Gale said the satellite would be strictly for domestic use with no international application,

International telecommunications are currently provided by Intelsat, a consortium of national bodies.

**Ailing Xu Jiatun Launches Deng Photo Album**  
*HK270633 Hong Kong HONGKONG STANDARD*  
*in English 27 Feb 88 p 2*

[Text] China's number one man in Hong Kong, Mr Xu Jiatun, attended a reception to launch a photo album of Chinese leader Mr Deng Xiaoping yesterday despite nursing an infected right shoulder.

The previous day the director of the local branch of the XINHUA News Agency was absent at the Spring reception party hosted by his office.

Mr Xu's right hand was swollen and some tiny dark spots were visible. He admitted feeling unwell and some pain and difficulty in moving his right arm.

Mr Xu said this could be due to too many visits during the Lunar New Year.

"Frequent visits and not enough rest lowers the body's resistance (to infection)," said Mr Xu.

He did not meet other guests except the host, Mr Wai Chung, director of the Amalfi Ltd, the local distributor of the album, and Dr Ann Tse-kai, member of the Chinese People's Political Consultative Conference.

Mr Xu said he was receiving medical treatment, including drugs.

Mr Qiao Zonghuai, a vice director, said Mr Xu was still working and giving instructions. "His mind is still sharp inspite of infection," said Mr Qiao.

Mr Xu left with other XINHUA officials after saying for 20 minutes.

The press corps too let Mr Xu pass without firing the usual questions.

Meanwhile, the authors of the first publicised photo album of Mr Deng seem not to want to remind the supreme leader and the people of the bitter and painful days during the Cultural Revolution when he was purged and tortured.

Though more than 500 pictures portray the hard, tough, dramatic and glorious life of Mr Deng, those recording Mr Deng's experiences between 1966 and 1976 are missing in the hard-cover book.

The publication was launched yesterday, both in Beijing and Hong Kong.

The album only has a photo of the house in Jiangsi in which Mr Deng and his family lived and another of the leader posing with his wife Zhuo Lin.

The book is a joint effort of the XINHUA News Agency and the Communist Party's Literature Research Centre. No explanation is given why pictures of that particular period of Mr Deng's life are absent.

Top Chinese leaders yesterday gathered at the West Chamber of the Great Hall of the People in Beijing to celebrate the launch of the publication.

The ceremony was beamed to Hong Kong simultaneously through satellite. About 200 guests turned up at the Regent Hotel to see the launch.

Mr Xu pressed the button and turned on the live broadcast at 6.30 pm.

In Beijing, the ceremony was presided over by the chief of the agency, Mr Mu Qing, and the director of the Communist Party's Literature Research Centre, Mr Li Qi.

### Macao

**Government Reveals 1988 Financial Plan**  
*HK280402 Hong Kong SOUTH CHINA MORNING POST (SUNDAY MONEY) in English 28 Feb 88 p 3*

[By Victoria McGlothren]

[Text] As Hong Kong awaits its new budget to be announced on Wednesday, Macao quietly revealed its financial plan for 1988 last week, its first since the signing of the Sino-Portuguese Agreement in early 1987.

The announcement was delayed more than a month due to a change of government last summer and Governor Carlos Melancia's official visit to Lisbon in December.

This year's budget weighed in at 1.9 billion patacas, below the record high 2.34 billion patacas announced last year.

Although the 1988 budget is lower than last year's it pares the 1987 budget deficit to seven percent, in sharp contrast to 1986 when the government spent 12 percent more than it took in.

Macao is a gambling-led economy to which casino magnate Stanley Ho contributes an estimated 40 percent. And true to its reputation, Macao reported that its largest percentage-increases in revenue this year will come from taxes on gambling and greyhound racing. Gambling taxes will contribute 773 million patacas to the territory's coffers, which represents an increase of 14.8 percent over last year, while taxes on greyhound racing will total 35 million patacas, a 14.2 percent increase.

Gambling revenue will no doubt increase once Mr Ho and Hopewell Holding's Gordon Wu complete their joint venture, a plan to build up under-populated, undeveloped Taipa Island. The development includes plans for several casinos and hotels, as well as several housing developments and retail interests.

The announcement was accompanied by proverbial good news, bad news. Macao's gross national product rose an estimated 11 percent to 13 percent last year, compared with a six percent growth in 1986, but overall inflation hit five percent, compared with a two-percent increase in 1986.

Strictly speaking, the budget contains nothing new, but it emphasises the government's efforts to link Macao with the rest of the world, in general, and Hong Kong, in particular, and highlights a growing progressive mood in the enclave.

According to Antonio Assis, who manages the Macao office of Price Waterhouse, the U.S.-based accountancy firm, the new budget represents a solid commitment to building Macao's infrastructure and modernising its services in an effort to heighten its attraction to tourists, as well as link it with China.

Some 26 percent of the budget is to be allocated to capital development projects, including a government hospital currently under construction, a container terminal, housing developments, and a new pier at the outer harbour.

Plans were announced for the construction of an airport, a deep-water harbour, a new bridge between Macao and Taipa Island that would strategically link Macao to neighbouring Zhuhai, and a road-tunnel under Guia Hill. Also under consideration is a railway between Macao and Guangzhou, which would also link the enclave by land to Hong Kong once Hopewell's super-highway from Hong Kong to Guangzhou is completed.

Mr Lo notes that the government has indicated it would not ask taxpayers to pay for Macao's development. Rather, it has taken steps to dispose of some of its assets, including the recent sale of 52 percent of the Government's shares in CEM, or the Macao Electricity Company, to a Portuguese consortium.

The consortium is made up of the Portuguese Electric Company, the Portuguese Investment Company, and a privately-owned firm.

Prior to the sale, the government owned 60 percent of CEM. The remainder is owned by a French financial concern, Societe Lyonnaise des Eaux, which has 38 percent, and two percent is held by individuals.

Also in the works is a plan to create a full offshore banking centre in Macao, called for in a law placed on the books last May, and public tenders will soon be launched internationally to attract foreign capital.

Overall, Mr Assis says he views the budget as one that clarifies Macao's political future and furthers the government's medium to long-term plans for the territory.

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*1 March 1988*

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